



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

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AUDIT AND RISK COMMITTEE

Open Agenda

Meeting Date: Thursday 19 July 2018

Time: 1.00pm

Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
Napier

Committee Members John Palairet (In the Chair), Mayor Bill Dalton, Geoff Foster,
Councillor Claire Hague and Councillor Kirsten Wise

Officer Responsible Director Corporate Services

Administration Governance Team

Next Audit and Risk Committee Meeting
Thursday 13 September 2018

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 March 2018 be taken as a true and accurate record of the meeting.34

Agenda items

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AGENDA ITEMS

1. REVIEW OF CHARTER

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	522046
<i>Reporting Officer/s & Unit:</i>	Adele Henderson, Director Corporate Services

1.1 Purpose of Report

As set out in the Audit and Risk Committee Charter, the Committee will review this Charter in consultation with the Council at least once a year. Any substantive changes to the Charter will be recommended by the Committee, and formally approved by the Council. The last review of the Charter was undertaken December 2016

Officer's Recommendation

The Audit and Risk Committee:

- a. Review the Audit and Risk Committee Charter
- b. Provide any recommended changes for Council approval

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

1.2 Attachments

- A Audit and Risk Committee Charter [↓](#)



Audit and Risk Committee Charter			
Approved by:	Council		
Department:	Finance		
Date Approved:	14 December 2016		
Next Review Date:	15 November 2017	DOC ID:	325090
Relevant Legislation:	N/A		
NCC Documents referenced:	Code of Ethics		

Objective

The objective of the Audit and Risk Committee (the Committee) is to provide independent, objective assurance and assistance to the Napier City Council (the Council) on the Council's governance, risk management, internal control and compliance frameworks, and its external accountability responsibilities.

Authority

The Napier City Council, at its meeting on 2 November 2016, re-established the Audit and Risk Committee for the 2016-19 triennial. The Council authorises the Committee, within the scope of its role and responsibilities, to:

- obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- request the attendance of any employee, including the Chief Executive, the Director of Corporate Services and the Chief Financial Officer at Committee meetings; and
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the Council's expense.

Composition and Tenure

The Committee will consist of five members appointed by the Council. These must include the Mayor, the Chair of the Finance Committee and the Deputy Chair of the Finance Committee (or other nominated person). The Council will also select two independent members.

The Napier City Council will appoint the chairperson of the Committee.

Members will be appointed for an initial period not exceeding three years after which they will be eligible for extension or re-appointment, after a formal review of their performance.

The Chief Executive, the Director of Corporate Services and the Chief Financial Officer will not be members of the Committee, but may attend meetings as observers as determined by the Chairperson.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Council. At least one independent member of the Committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment.

Role and Responsibilities

The Committee has no executive powers and will conduct itself in accordance with the values and ethics of the Council.

The Committee is directly responsible and accountable to the Council for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of the Council rests with the Chief Executive.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Napier City Council from time to time.

Risk Management

The Committee's responsibilities are to:

- review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of Napier City Council's financial and business risks, including fraud;
- review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- review the effect of the Council's risk management framework on its control environment and insurance arrangements;
- review whether a sound and effective approach has been followed in establishing the Council's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically; and
- review the Council's internal controls in relation to preventing fraud and satisfy itself that the Council has appropriate processes and systems in place to capture and effectively investigate fraud-related information and to ensure appropriate action is taken against known perpetrators of fraud.

Control Framework

The Committee's responsibilities are to:

- review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisers, is sound and effective;
- review whether management has in place relevant policies and procedures, and that these are periodically reviewed and updated;
- determine whether the appropriate processes are in place to assess, at least once a year, whether policies and procedures are complied with;
- review whether appropriate policies and procedures are in place for the management and exercise of delegations;
- consider how management identifies any required changes to the design or implementation of internal controls; and
- review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

External Accountability

The Committee's responsibilities are to:

- review the financial statements and provide advice to the Council, including whether appropriate action has been taken in response to audit recommendations and adjustments;

- satisfy itself that the financial statements are supported by appropriate management sign-off on the statements and on the adequacy of the systems of internal controls;
- review the processes in place designed to ensure that financial information included in the Council's annual report is consistent with the signed financial statements;
- satisfy itself that the Council has appropriate mechanisms in place to review and implement, where appropriate, relevant external audit reports and recommendations; and
- satisfy itself that the Council has a performance management framework that is linked to organisational objectives and outcomes.

Legislative Compliance

The Committee's responsibilities are to:

- determine whether management has appropriately considered legal and compliance risks as part of the Council's risk assessment and management arrangements; and
- review the effectiveness of the system for monitoring the Council's compliance with relevant laws, regulations, and associated government policies.

Internal Audit

The Committee's responsibilities are to:

- act as a forum for communication between the Chief Executive, senior management, and internal and external auditors;
- review the internal audit coverage and annual work plan, ensure that the plan is based on the Council's risk management plan, and recommend approval of the plan on behalf of the Council;
- advise the Mayor and Chief Executive on the adequacy of resources to carry out the internal audit, including completion of the approved internal audit plan;
- oversee the co-ordination of audit programmes conducted by the internal and external auditors and other review functions;
- review all audit reports and provide advice to the Council on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice;
- monitor management's implementation of the internal auditor's recommendations;
- review the internal audit charter to ensure that appropriate organisational structures, authority, access, and reporting arrangements are in place;
- provide advice to the Council on the appointment of the Head of Internal Audit (in the case of an in-house internal audit function);
- recommend the appointment of the internal auditor;
- periodically review the performance and effectiveness of the internal auditor; and
- be satisfied that any dismissal of the Head of Internal Audit is based on proper and appropriate reasons, to safeguard the independence of the audit function.

External Audit

The Committee's responsibilities are to:

- act as a forum for communication between the Chief Executive, senior management, and internal and external auditors;

- provide input and feedback on the financial statements and the audit coverage proposed by the external auditor, and provide feedback on the audit services provided;
- review all external plans and reports for planned or completed audits and monitor management's implementation of audit recommendations;
- oversee the co-ordination of audit programmes conducted by the internal and external auditors and other review functions: and
- provide advice to the Council and Chief executive on action taken on significant issues raised in relevant external audit reports and good practice guides.

Governance

Responsibilities of Committee Members

Members of the Committee are expected to:

- contribute the time needed to study and understand the papers provided;
- apply good analytical skills, objectivity, and good judgment; and
- express opinions frankly, ask questions that go to the core of the issue, and pursue independent lines of enquiry.

Reporting

The Committee will regularly, but at least once a year, report to the Council on its operation and activities during the year. The report should include:

- a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- a summary of the Council's progress in addressing the findings and recommendations made in internal and external audit reports, and the Auditor-General's reports (if applicable);
- an overall assessment of the Council's risk, control, and compliance framework, including details of any significant emerging risks or legislative changes; and
- details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.

The Committee may, at any time, report to the Chief Executive or the Council any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Chief Executive or the Council.

Administrative Arrangements

Meetings

The Committee will meet at least four times each year. A special meeting may be held to review the annual report.

The Chairperson is required to call a meeting if requested to do so by the Council, Chief Executive or another Committee member.

A meeting plan, including dates and agenda items, will be agreed by the Committee each year. The meeting plan will cover all of the Committee's responsibilities as detailed in this charter.

Attendance at Meetings and Quorums

A quorum will consist of a majority of Committee members including at least one independent member.

Meetings can be held in person, by telephone, or by video conference.

The Head of Internal Audit and external audit representatives will be invited to attend each meeting, unless requested not to do so by the Chairperson of the Committee.

The Chief Executive may be invited to attend Committee meetings to participate in specific discussions or provide strategic briefings to the Committee. The Committee may also ask other employees to attend Committee meetings or participate for certain agenda items.

The Committee will meet separately with both the internal and external auditors at least once a year.

Secretariat

The Chief Executive will appoint a person to provide secretariat support to the Committee. The Secretariat will ensure that the agenda for each meeting and supporting papers are circulated, after approval from the Chairperson, at least one week before the meeting, and ensure that the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chairperson and circulated within two weeks of the meeting to each member and Committee observers, as appropriate.

Conflicts of Interest

Once a year, Committee members will provide written declarations to the Mayor, stating they do not have any conflicts of interest that would preclude them from being members of the Committee.

Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately recorded in the minutes.

Where any member is deemed to have a real, or perceived, conflict of interest at a Committee meeting, it may be appropriate that they are excused from Committee deliberations on the issue where the conflict of interest exists.

Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

Assessment Arrangements

The Chairperson of the Committee, in consultation with the Mayor, will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Mayor) with appropriate input sought from the Chief Executive, the internal and external auditors, management, and any other relevant stakeholders, as determined by the Mayor in discussion with the chairperson of the Committee.

Review of Charter

At least once a year, the Committee will review this charter. This review will include consultation with the Council.

Any substantive changes to the charter will be recommended by the Committee and formally approved by the Council.

2. EXTERNAL AUDIT - AUDIT NZ MANAGEMENT REPORT CONSULTATION DOCUMENT 2018-28

<i>Type of Report:</i>	Legal and Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	519643
<i>Reporting Officer/s & Unit:</i>	Adele Henderson, Director Corporate Services

2.1 Purpose of Report

To receive the Audit New Zealand management report for the Consultation Document for the Long Term Plan 2018-28

Officer's Recommendation

The Audit and Risk Committee:

- a. Receive the Audit New Zealand management report for the Consultation Document for the Long Term Plan 2018-28.

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

2.2 Background Summary

The Long Term Plan is audited in a two stage process, including the Consultation Document and the Long Term Plan. The consultation document must contain a report from the Auditor-General under Section 93C 4 (a) and (b).

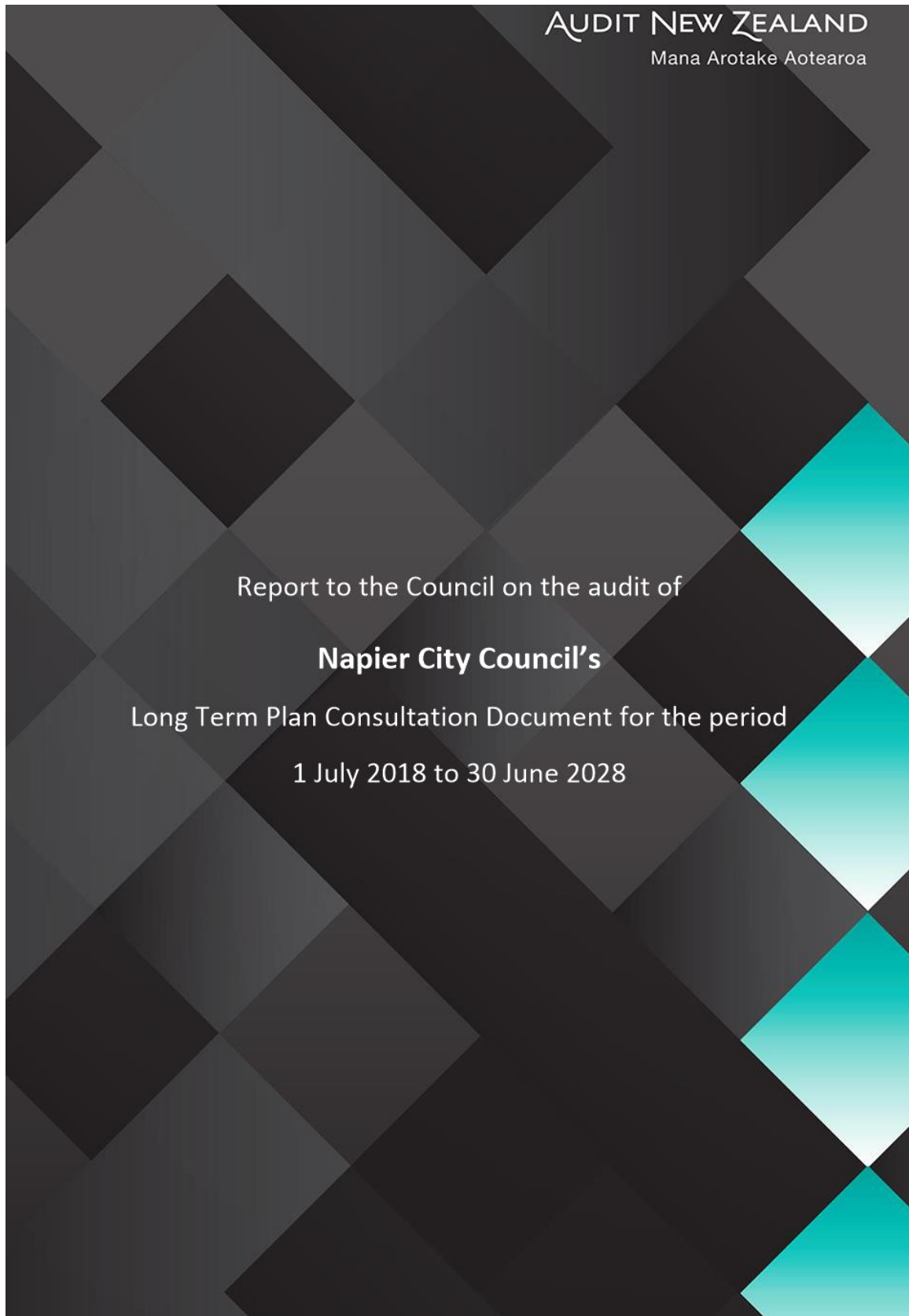
The Auditor-General has provided the attached management report in addition to Section 93C and is part of their normal audit process.

2.3 Issues

No significant issues identified in the report

2.4 Attachments

- A Consultation Document Audit Managment Report [↓](#)



Report to the Council

We have completed the audit of Napier City Council’s (the City Council) Long Term Plan Consultation Document for the period 1 July 2018 to 30 June 2028. This report sets out our findings from the audit and draws attention to our detailed findings, and where appropriate makes recommendations for improvement.

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Report to the Council on the audit of Napier City Council's Long Term Plan Consultation Document
for the period 1 July 2018 to 30 June 2028

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Key messages

We have completed the audit of Napier City Council's Long Term Plan Consultation Document (LTP CD) for the period 2018-28 and issued an unmodified opinion on 10 April 2018.

Issues identified during the audit

Overall we found that the City Council had prepared well for the LTP CD and that the project plan was largely followed other than some slippages in the timeframes. The City Council staff were responsive to our queries and corrected items in both the LTP CD and the underlying information to ensure that this was as complete and accurate as possible for adoption by Council.

The main issue identified during the audit was that the City Council could improve the quality assurance process over documents submitted for audit (see item 3.1).to ensure that:

- there is consistency between the documents; and
- when changes are made that they flow through all of the documents that make up the LTP CD and underlying information.

The City Council also needs to ensure that balances included in the statement of financial position are accurate. This relates to ensuring that all relevant items are inflated (i.e. include an allowance for inflation) or are based on the financial information in the rest of the underlying information (see item 4.10.1).

Future focus

As well as the opinion issued on the LTP CD we will also issue an opinion on the final LTP that will be adopted before 1 July 2018.

The Council needs to ensure that there are systems in place to monitor its actual performance against budgets, levels of service and performance measures included in the LTP from 1 July 2018. These systems will assist with annual reporting, and also internal monitoring and reporting to the Council.

Thank you

We would like to thank the Council, management and staff for their assistance during the audit.



Stephen Lucy
Director
18 June 2018

1 Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on the City Council's LTP CD on 10 April 2018.

This meant we were satisfied the City Council's LTP CD meets the statutory purpose and provides an effective basis for public participation in the Council's decisions about the proposed content of the 2018-28 LTP.

We found the underlying information and assumptions used to prepare the LTP CD provided a reasonable and supportable basis for the preparation of the LTP.

1.1 Unadjusted misstatements

The LTP CD is free from material misstatements, including omissions. However, in the course of the audit, we found certain misstatements that are individually and collectively not material to the LTP CD.

We have discussed any misstatements that we found with management. All misstatements were amended prior to the Council adopting the LTP CD.

2 Audit scope and objective

The scope of our audit engagement and our respective responsibilities are contained in our audit engagement letter dated 12 December 2017.

3 Control environment

Our approach to the audit was to identify, confirm and assess the City Council's key processes and controls over the underlying information and ultimate production of both the LTP CD and the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions.

3.1 Quality assurance (QA) checks

As we reviewed the information presented by the City Council we noted that some of the documents had not undergone a sufficiently thorough QA review.

We acknowledge that some of this was due to the City Council trying to present information to us quickly but it did mean that we had to look at far more versions of these documents than we expected before we were satisfied that they were reasonable.

In particular, there is a need to ensure that:

- there is consistency between the documents; and
- when changes are made that they flow through all of the documents that make up the LTP CD and underlying information.

4 Areas of audit emphasis

During the planning stage of the audit, and our review of the content of the LTP CD, we identified the following key risks and issues which were areas of emphasis during our audit. In this section of the report, we comment on our findings on those matters.

4.1 Civic and Library buildings

The City Council's Civic and Library buildings (which neighbour each other) have been assessed as earthquake prone and were fully impaired as at 30 June 2017. Consequently the City Council has obtained alternative accommodation for its staff and moved them out of the buildings. The Library is now co-located with the MTG (Museum, Theatre and Gallery).

The City Council undertook some pre-consultation and scoping processes with the community in relation to the future of the current Civic and Library buildings. A Statement of Proposal (SOP) process for the Civic Building was undertaken in late 2017.

The results of this pre-consultation have been incorporated into the LTP, being that the Civic building will be sold to a developer with the view to a hotel being built on the site as the City Council no longer needs this space. The City Council has done an assessment of the Library building and found that with a re-fit this could fit its entire staff. A business case is being developed on the most cost effective way to move forward and once this is done there will be further consultation with the Community.

The future of the Library (being location) is being identified through consultation about the future library services (Library Strategy). The strategy for the library is due for completion in September 2018 and if there are any significant changes as a result of this work the City Council will consult with the community.

As any disposal is in the early stages of consideration, the LTP financials do not include any sale proceeds for the disposal of the Civic building site. The SOP included the estimated costs for the demolition of the site (\$959,000) and these have been incorporated into the LTP financial information.

4.2 Aquatic centre

The City Council also undertook some pre-consultation on the Napier Aquatic Centre around the possible expansion of the centre. There has been a high demand for pool space and the centre as it is currently configured is not meeting the needs of the population of the City.

Following on from the pre-consultation the City Council has included 2 options in its CD. This involves either building a new facility (proposed option) or an expansion of the existing facility. The City Council has not opted for a 50 metre pool as this would duplicate a pool facility that is being proposed for the Hawke's Bay Regional Sports Park (in Hastings). The proposed option of a new Centre has been included in the Plans as this allows for the least disruption to the City's swimmers while it is constructed.

Council has not included a "do nothing" option as it has done the pre-consultation and believes that doing nothing is not an option from the feedback that it received from that process.

We were comfortable that the options included for the Aquatic centre were reasonable.

4.3 Water infrastructure

As a result of the Havelock North water inquiry there has been more of a focus on drinking water in Councils throughout the country and Napier is no exception. As a result of the Inquiry, the City Council has chlorinated its water supplies to ensure that there is a reduced risk of contamination in the supply. This was as a result of the recommendations from the inquiry and the expected direction from the Ministry of Health.

The City Council has included the building of two water treatment plants in its plan (Taradale and Awatoto) and is permanently chlorinating its water supplies.

The City Council is consulting with the community on whether there should be dechlorinated water stations across the City for use. Its preferred option is to not have these given the investment that is being included in the plan for water.

We are satisfied that this issue as discussed in the consultation document is consistent with the underlying information and financial forecasts.

4.4 Population

The Council is predicting a steady growth in population over the term of the LTP and this matches the assessment of the Council being a medium growth Council in relation to the National Policy Statement for Urban Development Capacity. The population of Hawke's Bay is also predicted to age at a slightly higher rate than the rest of New Zealand.

The Council uses the services of an Economist who has previously completed work for the Council in relation to the Heretaunga Plains Urban Development Strategy (HPUDS). The Economist uses Statistics New Zealand information and then updates this for the current factors in Hawke's Bay to model growth.

Our approach to address this risk was to:

- review the growth assessments and assumptions for reasonableness, review the support for the costing of growth projects and to ensure that this has been appropriately factored into the financial model; and
- ensure that the operating costs associated with the increased levels of service have been factored into financial calculations.

We did not identify any issues with this area in the forecasts or assumptions.

4.5 Renewals, affordability and levels of service

The City Council has continued to improve its asset knowledge to better inform it of asset condition, priority, likelihood of failure and requirements for asset replacement. The City Council restructured a couple of years ago and this resulted in the restructure of the asset team to ensure that there is increased cross-fertilisation across the different areas of the infrastructure.

The City Council through this process knows that it needs to improve its data in relation to the infrastructure and this is an on-going process.

Included within the plan is a level of infrastructure renewal to ensure that the systems continue to operate at the appropriate level to deliver the level of service expected by the community.

We have discussed this with the City Council infrastructural staff and have gained assurance that the current renewal program prioritisation and costs included in the projected financial forecasts have been based on the best available information. The asset information quality improvement programme will continue and asset renewal priorities will be reassessed as further information is gathered. This may result in an increase in the projected costs and changes in timing of planned renewal projects. There is no significant backlog of renewals for the City Council which means that the headroom in its debt profile is more than adequate to cover unexpected failures.

The Council also has sufficient headroom in its allowable borrowing to mitigate the financial consequences of unexpected failure. As part of the development of the LTP and the consultation document, the City Council is proposing to take out some external debt over the middle years of the plan and repay this by the end of the plan.

4.6 Quality of asset-related forecasting information

The Water Asset Management Plan (AMP) were reviewed by our sector specialists. Through discussion with infrastructure staff, a high level assessment of the City Council's planning systems, review of the infrastructure strategy, and a review of the asset management plans the overall quality and material completeness of the Water Asset Management Plan was assessed as good. These are a sound basis on which to base the asset related forecasts and no significant improvements were noted.

We have specifically reviewed the projects in terms of the work that is required to the water infrastructure as a result of the Havelock North water contamination event as it relates to the City Council. We have also gained an understanding of asset renewal expenditure. The renewal spend matches the requirements as modelled through the AMPs.

4.7 Coherence of the CD/LTP with other plans/policies

We have reviewed the financial and infrastructural strategies and other relevant policies and found that there were generally good linkages between them and good coherence between the documents.

4.8 Assumptions

We have reviewed the significant forecasting assumptions and are satisfied that these are complete and have been applied appropriately in the financial model. We also reviewed the supporting documentation key assumptions such as the BERL and Growth assumptions and confirmed these to external information.

There were no issues noted as a result of our review that have not been corrected.

4.9 Content of the LTP CD

We were satisfied that the LTP CD included appropriate information to enable consultation with the public on key issues.

In the initial draft of the LTP CD there were gaps in the information provided in relation to the Finance and Infrastructure Strategies. Also in each of the items being consulted on the rates increases, the effect on borrowings and the effect on service level were not initially presented with the issue.

These were addressed in the final LTP CD that was adopted.

4.10 Adopting and auditing the underlying information

The City Council prepared and adopted the underlying information necessary to support the LTP CD.

4.10.1 Flatlining of information

We noted during the audit of the LTP CD and the underlying information that there were balances included in the statement of financial position that were flat-lined (i.e. kept at the same amount). The balances noted that have been flat-lined were provisions and revenue in advance.

There is no reliable information available to the City Council to be able to adjust the balances for the provisions as they related to weather-tightness claims; however there are other items included in this balance which could have been adjusted for predicted movements. The provisions other than weather-tightness were not material to the overall financial statements and therefore no changes were required for the LTP.

The amounts for revenue in advance are not material and we were satisfied that there is no change required for these balances.

4.11 Project management, reporting deadlines and audit progress

The development of the LTP CD and LTP is a significant and complex project and a comprehensive project plan is required for a successful LTP process.

While the timeframes for the audit of the LTP CD slipped, we would like to commend the Council on the project management process and we are appreciative of the help and responsiveness throughout the LTP CD audit that we received.

4.12 Self-assessment

The City Council provided a self-assessment in order to assist our audit planning. This was useful in that it confirmed our assessment of the key matters that would be included in the LTP CD that would need to be audited and also whether there were any changes in the environment at the Council.

5 Other matters arising from our audit

We completed our planned work on the modules detailed in our audit proposal and arrangements letter and did not identify any further matters that need to be brought to your attention.

6 Audit of the final LTP

The next step in the LTP audit process will be the audit of the final LTP. This is scheduled to be undertaken in the two weeks commencing 14 June 2018. To ensure our audit of the LTP is efficient we expect the City Council to prepare a schedule of changes to the financial forecasts, draft LTP and performance framework that were the basis of the LTP CD. This will enable us to assess the extent of changes as a result of community consultation and tailor our audit work accordingly.

Under section 94(1) of the Act, our audit report on the final LTP forms part of the LTP, which the Council is required to adopt before 1 July 2018 (section 93(3)). Our agreed timeframes will enable us to issue our audit report in time for the Council meeting on 29 June 2018, at which time the 2018-28 LTP will be formally adopted.

We are responsible for reporting on whether the LTP meets the statutory purpose and provides a reasonable basis for integrated decision making by the Council and accountability to the community. We considered the quality of the underlying information and assumptions as part of the audit of the LTP CD so for the audit of the LTP. We will focus on how these are reflected in the LTP. We will consider the effect of the decisions that come out of the consultation process and review the LTP to gain assurance that appropriate, material, consequential changes and disclosures have been made.

At the conclusion of the LTP audit, we will ask the Council to provide us with a signed management representation letter on the LTP. The audit team will provide the template for the letter during the LTP audit.

Appendix 1: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit.	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the 2018-28 Long Term Plan Consultation Document (LTP CD) and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the LTP CD does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 12 December 2017 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (revised): <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>, the International Standard on Assurance Engagements 3400: <i>The Examination of Prospective Financial Information</i>, and the Auditor-General's Auditing Standards.</p>
Auditor independence	<p>We confirm that, for the audit of the City Council's LTP CD for the period 1 July 2018 to 30 June 2028, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>In addition to this report on the Council's consultation document and all legally required external audits, we have provided an assurance report on certain matters in respect of the City Council's Debenture Trust Deed. This assignment is compatible with those independence requirements. Other than this assignment, we have no relationship with or interests in the City Council.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the City Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the LTP CD. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

3. EXTERNAL AUDIT - AUDIT NZ INTERIM MANAGEMENT REPORT

Type of Report: Legal and Operational

Legal Reference: Local Government Act 2002

Document ID: 453613

Reporting Officer/s & Unit: Caroline Thomson, Chief Financial Officer

3.1 Purpose of Report

To advise the committee that Audit NZ did not find any new issues while carrying out the interim audit for 2017/18 and therefore no management report has been issued.

Officer's Recommendation

That the Committee:

- a. Note that Audit New Zealand did not find any new issues from the interim audit for 2017/18 and therefore no management report has been issued.

Committee's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

3.2 Attachments

Nil

4. EXTERNAL AUDIT - AUDIT NZ MANAGEMENT REPORT LONG TERM PLAN 2018-28

<i>Type of Report:</i>	Legal and Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	525799
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

4.1 Purpose of Report

To receive the Audit New Zealand management report for the Long Term Plan 2018-28.

Officer's Recommendation

The Audit and Risk Committee:

- a. Receive the Audit New Zealand management report for the Long Term Plan 2018-28.
- b. Receive the recommendations and approve the management comments.

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

4.2 Background Summary

The Long Term Plan is audited in a two stage process. This involves an audit of the Consultation Document and the Long Term Plan proper. Under Section 94 of the Local Government Act 2002 the Long Term Plan document must contain a report from the Auditor-General on whether the plan gives effect to the purpose set out in section 93(6) and also the quality of the information and assumptions underlying the forecast information provided in the plan.

Audit NZ completed the audit of the LTP for 2018-28 and issued an unmodified opinion on 29 June 2018. The Audit NZ management report for the Long Term Plan 2018-28 will be tabled at the meeting.

4.3 Issues

The tight turnaround between Council deliberations together with the implementation of a new LTP budget module resulted in some delays in providing information to audit. With the LTP module now fully bedded in officers are confident the quality assurance process over documents submitted to audit will be improved in the future.

Audit NZ have recommended a legal review of the rate setting process. This is endorsed by management and a review is planned for July/August 2018.

Management agree with audit's recommendation to assess the robustness of the sources for the satisfaction ratings with a view to having a system in place to enable reporting against satisfaction targets for the 2018/19 Annual Report.

It was also noted by audit that the Public Toilets AMP needed to be updated to reflect the change in budgets. Officers will address this as soon as possible.

The misstatement schedule in appendix 1 of the management report contains an error relating to the double counting of the income from targeted rates. The income from targeted rates for water metered supply is not double counted and is included in 'other revenue' and not rates revenue. This will be corrected for the Annual Report and all budgets going forward.

Audit NZ are satisfied that the Council's LTP meets the statutory purpose and found the underlying information and assumptions used to prepare the LTP provided a reasonable and supportable basis for the preparation of the LTP.

4.4 Significance and Engagement

N/A

4.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

N/A

4.6 Attachments

- A Audit NZ Management Report Long Term Plan 2018-28 (to be tabled) (*Under Separate Cover*) [⇒](#)

5. RISK MANAGEMENT - RISK MANAGEMENT REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	453619
<i>Reporting Officer/s & Unit:</i>	Rachael Horton, Manager Business Excellence & Transformation

5.1 Purpose of Report

To provide the Audit and Risk Committee (Committee) with an update on progress with risk management work and to report on the highest rated risks.

Officer's Recommendation

The Audit and Risk Committee:

- a. Note the risk management work being undertaken by the NCC Risk Committee.
- b. Receive the report titled: Highest rated risks report 9 July 2018.

Committee's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

5.2 Background Summary

Napier City Council (NCC) has a programme of work to develop and mature its enterprise risk capability. A risk maturity roadmap has been developed to guide this work.

The Committee supports this work by acting in a monitoring and advisory role. This report provides an update to the Committee on progress against the roadmap and reports the highest rated risks to ensure they are being actively managed.

5.3 Progress update

Since our last report to the Committee progress has been made in the following areas:

- Further development of the Sytle Projects module
- Commencement of a Business Continuity Management programme of work
- Review of the risk register

Sycle Projects Module

NCC's risk register is maintained within the Risk module of Sytle. There are three categories of risk that make up the risk register: strategic risks, operational risks, and project risks. Currently the register holds strategic and operational risks. Project risks come from the Projects module in Sytle which is yet to be fully implemented.

Once implemented, all small and large projects undertaken by NCC will be maintained in the Projects module and the risks for each project will be entered against the project.

These risks roll up into the Risk module to make up the project risk component of the risk register.

Full implementation of the Projects module is expected to be achieved by the end of September. Some small projects and their associated risks are starting to be entered now. There are four small projects with 13 associated projects risks on the risk register.

Business Continuity Management

We have commenced Business Continuity Management work. The aim of BCM is to achieve a framework for resilience and response capability in order to safeguard people and operations as well as to uphold confidence in NCC. Drafting of a BCM policy and procedure is underway as the first part of the framework.

The BCM framework responds to the strategic risk SR5 – ‘Event causing disruption or destruction of critical business functions and/or production and delivery of council services’.

Review of the Risk Register

As set out in the risk roadmap, regular review of risk, risk controls and risk treatments are critical to effective risk management. Sycle allows us to set review dates for each of these risk components.

All overdue reviews have been reported to the Senior Leadership Team and risk owners are undertaking overdue reviews. The overdue report will be provided to the Senior Leadership Team on a quarterly basis to ensure risks are being actively managed.

Once this practice is established it will move NCC along the risk maturity scale in the roadmap.

5.4 Highest rated risks

There are currently 194 strategic, operational and project risks in the risk register.

There are five risks to report to the Committee as the highest rated risks; two are operational risks rated Extreme (OR67 and OR76) and three are strategic risks rated High (SR2, SR3 and SR5).

These risks are reported in the attached spreadsheet (Attachment A).

All five risks have treatment actions to further manage the causes or consequences of each risk.

Extreme Risks

The Extreme risks in the operational risk register are:

- OR67 Pandora Pond – customer drowning

This risk was previously reported to you on 15 March and has not changed. The facility is currently closed for the winter season.

- OR76 Bluff Hill – fall from cliff top

This is a new risk identified during a business unit review of risks. Work is underway to assess the suitability of the fence around the cliff top.

High Risks

The three high risks in the strategic register are:

- SR2 Removal of three waters delivery and management
- SR3 Increased number and/or severity of major/natural disaster events

These risks were previously reported to you on 15 March and have not changed. The risks are outside the control of NCC. The risks treatments listed against these risks are ongoing.

- SR5 Event causing disruption or destruction of critical business functions and/or production and delivery of council services.

This is a new risk arising from development of a Business Continuity Framework for NCC. The BCM framework, once developed, will form the controls and treatment actions for this risk.

5.4 Significance and Consultation

There are no external consultation requirements for this report.

5.5 Attachments

A Highest rated risks report 9 July 2018 [↓](#)

Napier City Council Risk Register

9-Jul-18

Risk Code	Risk Issue	Causes	Treatment Actions	Primary Category / Sub Category	Inherent			Revised			
		Inherent			Consequence	Likelihood	Risk Rating	Consequence	Effectiveness of Controls	Likelihood	Risk Rating
OR67	Pandora Pond - Customer drowning	Murky water visibility. Poor quality or no parental supervision Insufficient lifeguards Lifeguards slow to respond Dangerous customer behaviour	- Adopt a human-centred design approach to addressing collective whanau responsibility for toddlers at the pond - External review of lifeguarding model performed by NZRA - Improve communications (signage, briefings) to parents to advise of their responsibilities for supervising children while swimming. - Investigate the possibility of providing a safe space for toddlers (e.g. paddling pool) at the pond to keep them away from the waters edge	Health and Safety	Severe	Possible	Extreme	Severe	Substantially Effective	Unlikely	Extreme
OR76	Bluff Hill - fall from cliff top	Easy access to cliff top	- Construct a more suitable fence to significantly deter people crossing fence and accessing the clifftop.	Health and Safety	Severe	Possible	Extreme	Severe	Partially Effective	Possible	Extreme
SR2	Removal of 3 waters delivery and management	Central government water enquiry. Repeated non-compliance with water quality standards. Public health issues. Public outcry.	- Improving 3 waters asset management practices - Improving 3 waters operations - Planning for additional resources - Submission to the Water Enquiry	Service Delivery	Moderate	Likely	High	Moderate	Partially Effective	Likely	High
SR3	Increased number and/or severity of major/natural disaster events	Earthquake. Tsunami. Volcanic ash. Flooding. Epidemic or pandemic.	- Evaluate Council's insurance cover - Review and test Business Continuity Plans and procedures	Service Delivery	Severe	Rare	High	Severe	Partially Effective	Rare	High
SR5	Event causing disruption or destruction of critical business functions and/or production and delivery of council services.	Natural disaster or event, malicious attack, critical failure of assets, infrastructure, or systems	- Business Continuity Framework developed for NCC - Each Directorate must develop business continuity plans for its operations. - Information Services have a disaster recovery plan	Service Delivery	Severe	Possible	Extreme	Major	Partially effective	Possible	High

6. RISK MANAGEMENT - INSURANCE UPDATE

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	525768
<i>Reporting Officer/s & Unit:</i>	Bryan Faulknor, Manager Property

6.1 Purpose of Report

To advise the committee of the insurance arrangements for the period 1 July 2018 to 30 June 2019.

Officer's Recommendation

The Audit and Risk Committee:

- a. Resolve that the report on the 2018/19 insurance arrangements be received.

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

6.2 Background Summary

At the Audit and Risk Committee meeting of 15 March 2018 a presentation was made by Jardine Lloyd Thomson Limited (JLT) outlining the Napier City Council's insurance programme for 2017/18.

Napier City Council is part of the Hawke's Bay Councils Collective Insurance Group. A number of policies have shared limits. Major policies outside of the Collective are Public Liability and Professional Indemnity, and Underground Infrastructure.

Officers need to place insurance arrangements by 1 July each year. Terms have now been arranged in conjunction with advice from Council's Insurance advisors JLT and discussions within the collective group of Council's.

No major changes have been made to the cover existing for 2017/18. The indemnity period for additional expenses under the Business Interruption policy has however been extended from 24 months to 36 months.

Summary of confirmed Insurance 1 July 2018 to 30 June 2019:

Material Damage

Covering Buildings, Contents, Plant & Machinery and other property as listed in the Insurance Property Schedule.

Sum Insured \$385.9m.

Excess – Perils \$10,000 per claim. Earthquake 2.5% site sum insured and where pre 1936 or earthquake prone 10% of site sum insured.

Material Damage – Residential

Covering Residential Dwellings and Community Housing as listed \$63.1m. Excess as above.

Business Interruption

Policy linked to Material Damage.

Loss of Revenue- \$12.9m covering - Halls, Pools, Aquarium, Par2, Conference Centre, Municipal Theatre, I-site, Kennedy Park, MTG.

Additional expenses- \$20m (shared limit with other Councils).

Indemnity period – Additional expenses 36 months, Loss of revenue 24 months.

Motor Vehicle & Third Party

All vehicles, other mobile plant and equipment. Excess \$1,000 per claim.

Crime Insurance

Insures loss of money and property resulting from fraud or dishonesty of Employees.

Limit of Indemnity \$1m, Excess \$25,000.

Employers Liability

Indemnity in respect of claims made by employees against employer for personal injury falling outside any Workers Compensation legislation. Limit of indemnity \$1m.

Statutory Liability Insurance

Indemnity for Defence costs and fines as a result of an alleged breach of any Act of parliament other than “Excluded Acts”. Limit of Indemnity \$4m (shared). Excess \$10,000.

Overseas Travel

Covering employees and elected members for overseas travel

Marine Hull

National Aquarium of NZ Boat

Hall Hirers Insurance

Public Liability Insurance for uninsured users of Council facilities.

Fine Arts Collection Insurance

HB Museums Trust Collection \$38.8m. Excess \$2,500.

Trustee Liability

HB Museums Trust, \$5m any one claim and in the aggregate during policy period.

Excess \$5,000.

Public Liability and Professional Indemnity

\$300m any one claim and in the aggregate during the policy period. (Excludes claims against Council in relation to weather tightness issues). Excess \$10,000 PI and \$5,000 PL

Underground Infrastructure

For 2018/19 Council has taken out cover as per the 2016/17 year. The Probable Maximum Loss (PML) is \$120m based on a total replacement value of underground infrastructure of \$587.8m. Actual insurance cover is based on the assumption that

Central Government assistance will be available in a major disaster and will provide for 60% of the eligible costs. Council therefore has insurance cover for \$40% of \$120m with a \$10m excess

6.3 Issues

There are no issues.

6.4 Significance and Engagement

N/A

6.5 Implications

Financial

Insurance premiums are anticipated to be within budget.

Social & Policy

N/A

Risk

Insurance is an important aspect of managing Council's risk.

6.6 Options

The options available to Council are as follows:

- a. To receive the report
- b. To receive the report and suggest changes to the insurance renewal programme.

6.7 Development of Preferred Option

N/A

6.8 Attachments

Nil

PUBLIC EXCLUDED ITEMS

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

AGENDA ITEMS

1. Risk Management - Health and Safety Reports to 30 June 2018
2. Internal Audit - Cash Handling Review
3. Composition and Tenure

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. Risk Management - Health and Safety Reports to 30 June 2018	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)(ii)) of the Local Government Official Information and Meetings Act 1987.
2. Internal Audit - Cash Handling Review	6(a) Prejudice the maintenance of the law, including the prevention, investigation, and detection of offences and the right to a fair trial	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

<p>3. Composition and Tenure</p>	<p>7(2)(a) Protect the privacy of natural persons, including that of a deceased person</p>	<p>Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.</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:</p> <p>(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>
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AUDIT AND RISK COMMITTEE

Open Minutes

Meeting Date:	Thursday 15 March 2018
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Time:	1.00pm
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Venue	Council Chamber Hawke's Bay Regional Council 159 Dalton Street Napier
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Present	John Palaret (In the Chair), Mayor Bill Dalton, Geoff Foster, Councillor Claire Hague, and Councillor Kirsten Wise
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In Attendance	Chief Executive, Director Corporate Services, Chief Financial Officer [from 1.35pm], Manager Business Excellence and Transformation, Manager People and Capability, Manager Property [to 1.31pm]
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	Mr Matthew Meacham – Account Manager, JLT Insurance [to 1.31pm]
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Administration	Governance Team
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Apologies

Nil

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Mayor

Birthday wishes were noted for the Chief Executive

Announcements by the Chairperson

Item 9 on the agenda has been withdrawn; the remaining agenda will proceed as advised.

Announcements by the management

Nil

Confirmation of minutes

Councillors Wise / Hague

That the Minutes of the meeting held on 7 December 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. INSURANCE ARRANGEMENTS

Type of Report:	Operational
Legal Reference:	N/A
Document ID:	433370
Reporting Officer/s & Unit:	Caroline Thomson, Chief Financial Officer

1.1 Purpose of Report

To receive an update from JLT our insurance brokers on the key issues to the Local Government Sector and to consider insurance requirements for Napier City Council for the upcoming financial year 2018/19

At the Meeting

Mr Matthew Meacham of JLT insurance provided an overview of the current insurances held by Council; the presentation can be found at Appendix One.

The following clarifications were provided in response to questions:

- The location of Council's IT storage is an important part of the business continuity planning underway; should Council elect to transition to the Cloud, it was advised that a particular insurance extension would be required in recognition of the third party supplier. In general the Cloud is considered to have good protections from an insurance perspective.
- The last maximum probable loss review was undertaken three years ago and JLT recommend that this be updated. Although there are some costs associated with this process the Committee considered that this would be a valuable investment. It was noted that work is already underway to update the asset information held by Council which will form a good foundation to any review.
- The excess in case of natural disaster was discussed briefly, with the implications for earthquake prone buildings. At this point there have not been any specific implications for the lower east coast of the North Island from the Kaikoura quakes, although it lies on the same fault line. It is believed that it would take a major event involving Wellington to impact on insurance capital.
- It was noted that central government continues to review the current 60:40 split between central and local government for natural disaster insurances.
- Three locations have currently been identified and assessed for suitability for storage of the Hawke's Bay museum collection ; should other sites be identified, an assessment (i.e. including earthquake prone status, fire safety and so on) would need to be provided to JLT so that an insurance quote could be prepared.
- Environmental Impairment insurance recognises that it is generally the owner of a site that is expected to address contamination that may have occurred; this insurance tends to cover gradual contamination issues as an acute event would more likely be covered by public liability or professional indemnity policies. The airport company elected to change the fire retardant foam used on site when it

was identified that there may adverse environmental impacts from the previous option; it is not believed that there are other specific risk areas linked to this policy currently.

Mr Meacham left the meeting as this item concluded, at 1.31pm.

COMMITTEE'S RECOMMENDATION

Councillors Wise / Hague

- a. That the presentation by JLT be received.
- b. That the Committee make recommendations on changes (if any) regarding the appropriateness of the proposed cover for 2018/19.

Carried

2. REAPPOINTMENT OF CHAIR AND INDEPENDENT MEMBER

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	Enter Legal Reference
<i>Document ID:</i>	434449
<i>Reporting Officer/s & Unit:</i>	Adele Henderson, Director Corporate Services

2.1 Purpose of Report

To advise the reappointment of John Palairret, Chair and Geoff Foster, Independent Member to the Audit and Risk Committee from January 2018 until February 2019.

At the Meeting

There was no discussion on this item.

COMMITTEE'S RECOMMENDATION

Mayor Dalton / Councillor Wise

- a. The reappointment of John Palairret, Chair and Geoff Foster, Independent Member to the Audit and Risk Committee be received.

Carried

3. DRAFT LONG TERM PLAN 2018-28 UNDERLYING DOCUMENTS

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	433361
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

3.1 Purpose of Report

That the Committee review and provide feedback to Council on the Long Term Plan 2018-28 underlying documents prior to the final adoption of the reports.

At the Meeting

It was noted that while a large amount of reading has been provided to the Committee and to elected members as underlying documentation to the draft Long Term Plan, that this is a good indication of the high level of professionalism of staff, who were commended on the work that has been undertaken to date.

Comments were made in discussion on the various supporting documents as follows:

Significance and Engagement Policy

- An updated policy was adopted by Council in December 2017; it contains a much clearer outline of consultation considerations and processes that will be undertaken in a variety of engagement scenarios.

Significant Planning assumptions

- Napier is currently experiencing medium to high level of growth and considering the appropriate levels of infrastructure to service the population has been an important part of the Long Term Planning process.
- The document notes the risk that construction costs will be higher than the current forecast inflation adjustment of 2.2%.
 - The Committee recommended that this risk be made extremely clear, and also be included in the Financial Strategy and the Infrastructure Strategy.
 - The Committee suggested that it maybe useful to move to using the Construction Index, especially given the size of the Capital Plan (currently the Local Government Cost Index is used), but agreed to hold the current assumption and note the risk.
 - It was noted that there may be a need to adjust the scope of projects to meet the funding available.

Capital Plan

- The Committee noted the size of the Capital Plan and previous challenges that Council has experienced in being able to resource the work.
- It was also discussed that there may be some delivery risk with the volume of projects for the region over the next 10 years.
- It was noted that a review of internal delivery capacity has been undertaken and approval given to expand resourcing particularly in the areas of project management, design and drafting, and design QA.

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- It was also noted that for the three major capital projects, external project management and specialist management accounting expertise may be drawn on as required. There may also be existing experience in the construction market in the types of work proposed, which could be leveraged to bring any risk levels down. These projects represent a significant investment in the community and their skilful management is considered of paramount importance.
 - The Committee commended officers for the thinking captured in the “confidence levels table”; it was noted that Audit NZ are also supportive of the approach.
 - It was noted that it will be important to manage and maintain the wellbeing and capacity of existing staff throughout the programme, and that any risks or impacts on the cultural shift underway in the organisation from higher numbers of external contractors should be carefully monitored.
 - The Committee confirmed that they were happy with the risk management actions underway but would continue active monitoring in this space.

Community Outcomes

- The process of aligning the outcomes with Sycle (internal system software) is now underway.

Contribution to decision-making processes by Māori

- Council's desire to include and work with Māori in decision making has been clearly outlined.

Council controlled organisations

- The Committee supported the decision to ‘shelve’ HB Lass in favour of a more contemporary collaborative model with lower overheads.

Draft Infrastructure Strategy

- Work is already underway to build a better understanding of our assets' condition and performance, and this will continue so that a good foundation of data is held to inform decisions.
- The strategy indicates levels of priority for the short, medium and long term to ensure the right things are done at the right times for the right reasons.
- Improved modelling is underway for the three waters and roading.
- The Committee noted that it should be clearer that the work to be undertaken was necessary to maintain and improve current levels of service; that it was important that the public are aware that the infrastructure spend is required.
- The Committee recognised with appreciation the large amount of asset monitoring and planning that has been undertaken by officers across Council.

Draft Financial Strategy

- It was noted that while having external debt is a key difference in this Plan to any previous, it is to allow for important investment in infrastructure and the peak forecast debt remains well within levels considered prudent.
- It was also noted that the balance sheet offers scope to address natural hazards vulnerability if required.
- The Committee were very comfortable that taking on external debt was for good reason and the levels within a prudent range.

Financial documents

- Improvements to the financial reporting system now provides for long term integrated reporting.
- Rates demonstrate a relatively flat profile over the ten year period.
- It is anticipated that external debt will peak in years 3 and 4 of the Plan, and repayment will be completed in year 8.

COMMITTEE'S RECOMMENDATION

Councillors Wise / Hague

That the Committee

- a. Receive the Long Term Plan 2018-28 underlying documents
 - Significance and Engagement Policy
 - Significant Planning assumptions
 - Capital Plan
 - Community Outcomes
 - Contribution to decision-making processes by Māori
 - Council controlled organisations
 - Draft Infrastructure Strategy
 - Draft Financial Strategy
 - Statement of Accounting Policies
 - Prospective Financial Statements
 - Draft Funding Impact Statement
 - Financial Prudence benchmarks
 - Council Funding Policies
- b. Document feedback from the review of these documents to be provided to the next available Council meeting.

Carried

4. RISK MANAGEMENT REPORT MARCH 2018

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	433364
<i>Reporting Officer/s & Unit:</i>	Rachael Horton, Manager Business Excellence & Transformation Caroline Thomson, Chief Financial Officer Adele Henderson, Director Corporate Services

4.1 Purpose of Report

To provide the Audit and Risk Committee (Committee) with an update on progress with risk management work and to report on the highest rated risks.

At the Meeting

The Manager Business Excellence and Transformation spoke to the report, noting the following:

- An active Risk Committee and network of risk 'champions' is now in place.
- It is anticipated that a 'Cycle lead' role will be recruited in the next few weeks; the role will be responsible for building engagement with an use of the Cycle internal system software over a 24 month contract.
- One extreme risk has currently been identified, being Pandora Pond. The pond is now closed (as normally programmed for the year) and treatments are being applied with a view to re-opening as usual for the next season. It was noted that this is a good demonstration of active risk monitoring and management at play.
- Following the Committee's request at its last meeting for a way to track Council's progress with risk management, a risk maturity roadmap has now been developed, assessing the organisations maturity level (using a four year scale) in seven key areas. Work will be undertaken to review Council's current status in each area, and what actions would need to be undertaken to the next maturity level. The assessment criteria will be updated regularly to ensure they continue to meet risk management best practice.

The Committee were extremely positive about the risk maturity roadmap, noting that it was a 'very elegant' piece of work which allows for active monitoring of where Council is at in its risk management journey, and contributes to the continuing formalising and increased visibility of active risk management in the organisation's culture.

COMMITTEE'S RECOMMENDATION

Mr Foster / Councillor Wise

That the Committee

- a. Note the risk management work being undertaken by the NCC Risk Committee
- b. Receive the reports titled: *NCC Risk Maturity Roadmap* and *Highest rated risks report 2 March 2018*.

Carried

5. HEALTH AND SAFETY REPORT ENDING 28 FEBRUARY 2018

Type of Report:	Information
Legal Reference:	N/A
Document ID:	441796
Reporting Officer/s & Unit:	Sue Matkin, Manager People & Capability

5.1 Purpose of Report

To provide the Napier City Council Health & Safety report as at 28 February 2018 for the Committee's review.

At the Meeting

The Committee noted the improvements in Health and Safety reporting and performance over the last year.

In response to a question from the Committee it was clarified that many of the near miss reports tend to come from Bayskate, as would be expected from such a physical arena.

COMMITTEE'S RECOMMENDATION

Councillors Wise / Hague

That the Committee:

- a. Receive the Napier City Council Health and Safety report as at 28 February 2018.

Carried

6. INVESTMENT AND DEBT REPORT

<i>Type of Report:</i>	Operational
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<i>Legal Reference:</i>	N/A
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<i>Document ID:</i>	433362
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<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer
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6.1 Purpose of Report

To consider the snapshot report on Napier City Council's Investment and Debt as at 28 February 2018. See **Attachment A**

At the Meeting

The Chief Financial Officer briefly spoke to the report but there was no discussion on this item.

COMMITTEE'S RECOMMENDATION

Mr Foster / Councillor Wise

That the Committee

- a. Receive the snapshot report on Napier City Council's Investment and Debt as at 28 February 2018

Carried

7. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

<i>Type of Report:</i>	Operational and Procedural
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	450263
<i>Reporting Officer/s & Unit:</i>	Talia Foster, Corporate Accountant Caroline Thomson, Chief Financial Officer

7.1 Purpose of Report

To provide the information required for the Committee to review Sensitive Expenditure of the Mayor and Chief Executive for compliance with Council's Sensitive Expenditure Policy.

At the Meeting

The Committee noted that the spend was very modest. The report is intended to be run monthly and will be provided at each meeting of the Committee.

There was some discussion about the current report setting, which is in line with the central government practice of individual line item declarations. The Committee indicated it would be comfortable with reporting against categories.

It was noted that the Policy is an extremely comprehensive one; along with other policies it is provided to staff via the employee hand book and its associated links. Monthly finance training is also provide to staff on a variety of topics including sensitive expenditure.

COMMITTEE'S RECOMMENDATION

Councillors Wise / Hague

That the committee

- a. Receive the report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.

Carried

8. AUDIT ARRANGEMENTS FOR YEAR ENDING JUNE 2018

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	433369
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

8.1 Purpose of Report

To outline the audit arrangements for the audit of the Napier City Council for the year ending 30 June 2018.

At the Meeting

The Audit Plan received from Audit New Zealand late on 14 March 2018, was tabled.

It was advised that auditors will be on site during April, May and August to undertake reviews. It was a significant advantage that they were now able to be in the same building, as it been difficult while their organisational policy prohibited entry into the designated earthquake-prone Civic Building.

It was agreed that a review of Council's audit provision would be initiated through the Office of the Auditor-General who oversees this process.

A short discussion took place on fraud identification and management; policies, processes and data analytics are all in place to ensure the quick identification of any fraud would take place and any issues would be communicated to councillors as soon as reasonably practicable.

COMMITTEE'S RECOMMENDATION

Councillors Taylor / Wise

That the Committee

- a. Receive the audit arrangements for the year ending 30 June 2018 as set out in the audit arrangement letter from Audit New Zealand.

Carried

PUBLIC EXCLUDED ITEMS

Councillors Wise / Hague

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

1. Internal Audit Data Analytics - Management Actions

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. Internal Audit Data Analytics - Management Actions	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.

The meeting moved into Committee at 2.49pm

Approved and adopted as a true and accurate record of the meeting.

Chairperson

Date of approval

Appendix One – JLT Insurance Presentation





1 INSURANCE PROGRAMME

INSURANCE PROGRAMME



Material Damage / Property Insurance

Sum Insured: Commercial \$385,868,450 & Residential \$63,092,200

- Administration & Library buildings reduce to indemnity value cover for Natural Disaster perils only
- Contents at temporary locations & fit-outs included

Extension sub-limits: Capital Additions \$2,000,000 per addition
Contract Works \$2,000,000 works to existing structures
Transit \$500,000 (including BI)

Excess/Deductible: Natural Disaster

- 2.5% of Site Value, min \$2,500
- 10% of Site Value, min \$10,000 for buildings pre 1936 or earthquake prone (Admin & Library buildings)

Non-Natural Disaster

- Landslip & Subsidence \$50,000
- All other claims \$10,000

- Shared group policy – NCC Sum Insured shown
 - Property Schedules & Sums Insured provided by NCC and professional valuers
-

INSURANCE PROGRAMME



Business Interruption (following MD Loss)

Sum Insured:	Additional Expenses \$20,000,000 shared Gross Revenue \$12,896,800 NCC assets Claims Preparation Costs \$100,000 shared
Indemnity Period:	Additional Expenses 24 months Gross Revenue 24 months
Extension sub-limits:	Acts of Civil Authority, Closure – 10% of Sum Insured Dependency – 10% of Sum Insured
Excess/Deductible:	Combined MD/BI excess applies Extension sub-limits; Natural Disaster – 14 days waiting period Non-Natural Disaster <ul style="list-style-type: none">- Acts of Civil Authority, Closure – 24 hours- Dependency (airport, ports & rail) – 7 days

- Shared group policy. Both shared & NCC Sums Insured shown above
-

INSURANCE PROGRAMME



Infrastructure

Sum Insured: Any loss & aggregate for Earthquake & Flood - \$110,000,000
– Defined Natural Disaster perils

Property Insured: Infrastructure Assets (3 waters) – \$554,736,696

Excess/Deductible: Any loss & aggregate for Earthquake & Flood - \$10,000,000
– 72 hour clause Earthquake & Tsunami

Capacity/Level: Insured for 40% of the above

- Separate NCC policy
- Infrastructure Assets & Sums Insured provided by NCC
- Central Government review of assistance provided under the NCDEM (60/40 split)

INSURANCE PROGRAMME



Commercial Motor Vehicle

Sum Insured: Section 1 Insured Vehicles – Market Value at time of loss
 Section 2 Third Party Liability – \$10,000,000

Extension sub-limits: Additions & Deletions – \$150,000
 Clean up/Removal of Debris – \$20,000
 Rental Vehicles – \$150,000 (consequential loss \$50k)
 Vibration/Weight Damage – \$500,000

Excess/Deductible: Section 1 Insured Vehicles
 - Own Damage – 1% of value, minimum \$1,000
 - Windscreens – \$1,000

- Shared group policy
- Schedule of Vehicles their Market Values provided by NCC

INSURANCE PROGRAMME



Marine Hull

Sum Insured: 2012 McLay 600 Fisherman – \$79,000

Third Party Liability: Protection & Indemnity – \$1,000,000

Excess/Deductible: Each & every claim – \$1,000

- Separate NCC policy
- Details of vessels & values provided by NCC

INSURANCE PROGRAMME



Crime/Fidelity

Sum Insured: Any one claim & in the aggregate – \$2,000,000

Extension sub-limits: Third Party Crime, including Electronic & Computer Crime
Care, Custody & Control – \$1,000,000 aggregate limit
Erroneous Funds Transfer – Full limit
Legal Fees & Interest – \$500,000 aggregate limit
Public Relations Costs – \$500,000 aggregate limit
Reconstitution Costs – \$250,000 aggregate limit

Excess/Deductible: Each & every loss - \$25,000

- Separate NCC policy

INSURANCE PROGRAMME



Overseas Travel

Travel Benefits:

- Medical Expenses – Unlimited
- Personal Accident – \$250,000
- Loss of Deposits – \$30,000
- Baggage, Money & Travel Documents – \$25,000
- Kidnap & Ransom – \$500,000
- Alternative Employee – \$20,000
- Political & Natural Disaster Evacuation – \$20,000
- Personal Liability – \$5,000,000

Aggregate Limits:

- Any one period of insurance – \$2,500,000
- Non-scheduled flights – \$1,000,000

Excess/Deductible: \$25 except Electronic Equipment \$250

- Shared group policy
 - Deposit & adjustment policy
-

INSURANCE PROGRAMME



Public Liability

Limit of Indemnity: Any one occurrence & aggregate for Products – \$300,000,000

Extension sub-limits: Property in Care, Custody or Control – \$1,000,000
Punitive & Exemplary Damages – \$1,000,000
Unmanned Ariel Vehicles – Included
Wreck Removal – \$1,000,000

Territorial Limits New Zealand & Australia

Excess/Deductible: Per occurrence – \$5,000

- Separate NCC policy

INSURANCE PROGRAMME



Professional Indemnity

Limit of Indemnity: Any one claim and in the aggregate – \$300,000,000

Extension sub-limits: Waiver of subrogation against Employees
Defamation, liable & slander
Fraud & Dishonesty
Maritime Functions
Continuity

Territorial Limits: New Zealand & Australia

Retroactive Date: Unlimited

Excess/Deductible: Each & every claim - \$10,000

- Separate NCC policy
-

INSURANCE PROGRAMME



Environmental Impairment

Limit of Indemnity:	Any one claim and in the aggregate – \$500,000
Insured Premises:	Water & Sewage treatment plants Resource recovery & Waste transfer stations Commercial Offices, Depots, Workshops Swimming pools & Recreational facilities Libraries, Museums, Public toilets, Crematoria & cemeteries
Territorial Limits:	New Zealand
Retroactive Date:	30 June 2017
Excess/Deductible:	Each & every claim – \$25,000 - Sewage & Wastewater treatment plants – \$100,000
Key Exclusions:	Landfills & Waste disposal sites, Sewerage systems, Pipelines Underground storage tanks

- Separate NCC policy
-

INSURANCE PROGRAMME



Statutory Liability & Employers Liability

Sum Insured: Statutory Liability, any claim & aggregate – \$4,000,000 shared
 Employers Liability, any claim & aggregate – \$1,000,000 shared

Extension sub-limits: Health & Safety at Work Act 2015 (Defence Costs & Reparations)

Excess/Deductible: Each & every claim \$5,000

Territory/Jurisdiction: New Zealand

Retroactive Date: 15 July 1994

- Shared Group Policies

INSURANCE PROGRAMME



Hall Hirers (Public) Liability

Insured: Community Groups (uninsured) as Hirers of Council facilities

Sum Insured: Any one Occurrence named locations – \$5,000,000
All other locations – \$1,000,000

Locations: Municipal Theatre
Napier Conference Centre (War Memorial Hall)
Centennial Hall
National Aquarium

Excess/Deductible: Per occurrence – \$500

Territory/Jurisdiction: New Zealand

- Shared Group Policy
- The policy is available to community groups & individuals for one-off hires of Councils facilities were they have no Public Liability Insurance

INSURANCE PROGRAMME



Trustees Liability

Insured:	<u>Hawkes Bay Museums Trust</u>
Limit of Indemnity:	Any one claim and in the aggregate – \$5,000,000
Territorial Limits:	New Zealand
Retroactive Date:	29 September 1999
Excess/Deductible:	Each & every claim - \$5,000

- Separate policy for HBMT

INSURANCE PROGRAMME



Fine Art & Museum Collections

Insured:	<u>Hawkes Bay Museums Trust</u>
Sum Insured:	Permanent Collection – \$38,844,709
Locations:	<u>Hawkes Bay Museum & Art Gallery</u> The Rothman's Building Hastings City Art Gallery
Extension sub-limits:	Inward temporary loans & exhibitions – \$3,000,000 Other Locations – \$1,000,000 Transit any one loss, any one conveyance – \$4,000,000
Excess/Deductible:	Earthquake – \$25,000 Inward temporary loans & exhibitions – \$500 All other claims – \$2,500

- Separate policy for HBMT
-



2 ONE OFF INSURANCE POLICIES

ONE-OFF INSURANCE



The following policies are often taken out as & when required

Contract Works

- Principal controlled contracts to existing structures above \$2mil
- Principal controlled contracts for new structures 'greenfield'
- Council responsible as contractors

Elections Insurance

Event Cancellation



3 OTHER INSURANCE RISKS

OTHER INSURANCE RISKS



Other Insurance Risks available through JLT

Cyber Liability

Employee Benefits

Standing Timber / Forestry

Trust & Company Insurance Programmes

