



# AUDIT AND RISK COMMITTEE

## Open Minutes

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Meeting Date: Thursday 19 July 2018

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Time: 1.00pm – 1.49pm

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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 Stephen Lucy – Audit New Zealand  
Director Corporate Services, Chief Financial Officer, Manager  
People and Capability, Manager Business Excellence and  
Transformation

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Administration Governance Team

## **Apologies**

Nil

## **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**

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Councillor Hague / Mayor Dalton

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That the Minutes of the meeting held on 15 March 2018 were taken as a true and accurate record of the meeting.

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Carried

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## **Notification and justification of matters of extraordinary business**

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

# AGENDA ITEMS

## 1. REVIEW OF CHARTER

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*Type of Report:* Operational

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*Legal Reference:* N/A

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*Document ID:* 522046

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*Reporting Officer/s & Unit:* 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

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#### At the Meeting

At updated version of the Charter was tabled, incorporating the following changes:

- Flow through the document has been improved with the inclusion of section titles
- The Charter is proposed to be reviewed every two years rather than annually. The next review will be October 2020.
- The only content changes are as follows:
  - Under section “Composition and Tenure”:
    - The Napier City Council will appoint the Chairperson of the Committee.
    - Council representatives on the Committee will carry out their duties as outlined in the Charter, recognising the difference in the role of the Committee compared to Councillor community advocate.
  - Under section “Risk Management”:
    - Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
  - Under section “External Accountability”:
    - Review the processes and risk assessment are in place for the development and adoption of the Council’s Long Term Plan.

The Chief Executive noted that at the recent LGNZ annual conference, Napier City Council’s Audit and Risk Committee had been identified as an example of recommended practice, not only having more than one independent member but also that the Chair’s position is held by an independent.

It was noted that there are opportunities for the fine tuning of the actual implementation of the chartered responsibilities, but the Charter itself is a strong document.

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In response to a question from the Committee it was confirmed that the wider Council members now have access to all open Audit and Risk reports as a matter of course, and the public excluded reports if approved by the Committee (noting that there may be some reports where it is considered appropriate to release their information at a later date than the next Council meeting).

Committee's recommendation

Councillors Wise / Hague

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The Audit and Risk Committee:

- a. Review the Audit and Risk Committee Charter
- b. Provide any recommended changes for Council approval, those changes being:
  - Flow through the document has been improved with the inclusion of section titles
  - The Charter is proposed to be reviewed every two years rather than annually. The next review will be October 2020.
  - The only content changes are as follows:
    - Under section "Composition and Tenure":
      - The Napier City Council will appoint the Chairperson of the Committee.
      - Council representatives on the Committee will carry out their duties as outlined in the Charter, recognising the difference in the role of the Committee compared to Councillor community advocate.
    - Under section "Risk Management":
      - Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
    - Under section "External Accountability":
      - Review the processes and risk assessment are in place for the development and adoption of the Council's Long Term Plan.

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Carried

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

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<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 &amp; 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

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#### At the Meeting

Mr Lucy spoke to this item and item 4 conjointly, noting that Audit New Zealand ('Audit') were generally happy with the clarity of articulation and lay out of the Long Term Plan Consultation document and the Long Term Plan 2018-28 itself.

Audit and Finance will work together to ensure that information flows are smoother for future processes.

In response to questions from the Committee, it was clarified that:

- The recommendation to undertake a legal review of the rates resolution was made following some minor inconsistencies being noted in an early version; the resolution was double peer reviewed and corrected but the feedback is noted for future processes.
  - Ensuring condition assessments for the water network are accurate and timely, and articulation of risks are clear, will be important for the Infrastructure Strategy; these considerations are being addressed by Council's nation-wide.
  - Audit are comfortable that the balanced budget is correct for the ten year period.
  - Work is underway to confirm the methodology for customer satisfaction surveys moving forward (noting that telephone surveys are not necessarily the most effective now); this was not able to be ready for 1 July 2018 but is progressing.
  - In relation to the aquatic centre options, it was noted that it is a careful balance that needs to be struck between providing enough information in a consultation document to encourage the public to provide feedback, without overwhelming with details which can be provided elsewhere.
  - Further in relation to the aquatic centre project, it was noted that the costs provided were early estimates and it was likely that there would be shifts between that consultation figures and actual costs at time of construction reflecting natural fluctuations in the market over the time period. The project has multiple gateways at which point Council can assess its comfort level with continuing to proceed.
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Committee's recommendation

Mr Foster / Councillor Hague

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The Audit and Risk Committee:

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

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Carried

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### 3. EXTERNAL AUDIT - AUDIT NZ INTERIM MANAGEMENT REPORT

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*Type of Report:* Legal and Operational

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*Legal Reference:* Local Government Act 2002

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*Document ID:* 453613

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*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.

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#### At the Meeting

Mr Lucy spoke to the item, noting that no interim management report has been provided as nothing of significance has been identified to note at this time.

Credit was noted to the Finance Team that this situation exists, particularly given the loss of a staff member during the Long Term Plan preparation period.

The Committee noted the positive change since the previous Long Term Plan process, remarking on the impressive work undertaken and levels of transparency achieved. While risks have changed over that period, risk management has increased significantly. It is anticipated that Napier will be considered a positive example nationally.

Committee's recommendation

Councillors Wise / Hague

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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.

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Carried

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

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*Type of Report:* Legal and Operational

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*Legal Reference:* Local Government Act 2002

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*Document ID:* 525799

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*Reporting Officer/s & Unit:* 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.

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#### At the Meeting

The Audit New Zealand management report was tabled.

Discussion on this item took place conjointly with Item 2 and is captured under that item above.

Committee's recommendation

Councillor Wise / Mayor Dalton

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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.

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Carried

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## 5. RISK MANAGEMENT - RISK MANAGEMENT REPORT

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<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	453619
<i>Reporting Officer/s &amp; 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.

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#### At the Meeting

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

- Particular focus has been placed on three areas over the last quarter:
  - Implementing the projects module in Sycle,
  - Business Continuity planning (linked to identified risks regarding possible disruption to services from a variety of causes), and
  - Continuing regular reviews of the risk register.
- Two risks have been identified to the Committee under the higher risk reporting requirements: possible drowning of a member of the public while using Council equipment at Pandora Pond, and a possible fall from the Bluff Hill lookout by a sightseer (noting that this risk does not include a member of the public who may choose to deliberately scale any fencing with an intent to do injury to themselves).
  - While mitigations are being put in place for these identified risks, it was identified that the consequences of each are of a level that they are likely to remain identified as high even with management actions in place.

In discussion it was noted that:

- Where knowledge is held regarding possible risks on private properties, Council provides engineering and other advice to the property owner as far as it can.
  - Council holds no liability for any drowning in ponds, drains and the like on public land. There is existing case law to this effect.
  - A draft Business Continuity policy is almost complete; the re-activation of services will be staggered depending on what is most appropriate to the event. Typically Governance and Communications will always be activated first to ensure internal and external communications are present as quickly as possible.
  - With the recent implementation of the project module in Sycle, the highest rates project risks will now also be reported to the Committee.
  - The number of projects as a possible risk in itself is included in the register but is considered lower in impact due to mitigating actions in place.
  - Those positions whose roles include project and or risk management will have a specific KPI to this effect incorporated into the job description.
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- It is intended that surety audits are implemented as the organisation continues to mature in the risk management space, confirming that mitigations advised are actively taking place.
  - Central government has strongly indicated that there will be shifts in approach to water management nation-wide. Centralising water management is considered “safer” as it is anticipated to address capacity/ capability issues and to better spread the costs of appropriate infrastructure, particularly for smaller authorities.

Committee's recommendation

Mayor Dalton / Mr Foster

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That the 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.

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Carried

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## 6. RISK MANAGEMENT - INSURANCE UPDATE

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<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	525768
<i>Reporting Officer/s &amp; 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.

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#### At the Meeting

It was noted that maximum probable loss modelling is being undertaken; the council's within the region have been invited to complete this work together. If the invitation is not taken up, Napier will continue regardless.

The business interruption indemnity period extension was noted as pleasing.

Committee's recommendation

Councillors Hague / Wise

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The Audit and Risk Committee:

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

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Carried

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# PUBLIC EXCLUDED ITEMS

Mayor Dalton / Councillor Wise

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

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

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:

<b>General subject of each matter to be considered.</b>	<b>Reason for passing this resolution in relation to each matter.</b>	<b>Ground(s) under section 48(1) to the passing of this resolution.</b>
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)(i)) 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	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

	of offences and the right to a fair trial	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. Composition and Tenure	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 1.49pm

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

Chairperson .....

Date of approval .....