



AUDIT AND RISK COMMITTEE

Open Minutes

Meeting Date: Thursday 28 March 2019

Time: 1pm-1.40pm

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

Present John Palaret (In the Chair), Mayor Bill Dalton, David Pearson,
Councillor Claire Hague and Councillor Kirsten Wise

In Attendance Chief Financial Officer, Director Infrastructure Services, Director
City Services, Manager People and Capability, Manager
Property, Ross Franklin – Consultant, Manager Communications
and Marketing

John Schellekens – Price Waterhouse Cooper

Administration Governance Team

Apologies

Nil

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Mayor

Nil

Announcements by the Chairperson

The Chair welcomed David Pearson to his first meeting as a new member of the Audit and Risk Committee.

Announcements by the management

Nil

Confirmation of minutes

Councillor Hague / Mayor Dalton

That the Minutes of the meeting held on 6 December 2018 were taken as a true and accurate record of the meeting.

Carried

AGENDA ITEMS

1. ANNUAL PLAN 2019/20 UNDERLYING DOCUMENTS

Type of Report: Operational

Legal Reference: Local Government Act 2002

Document ID: 715731

Reporting Officer/s & Unit: Adele Henderson, Director Corporate Services
Caroline Thomson, Chief Financial Officer

1.1 Purpose of Report

That the Committee review and provide feedback to Council on the Annual Plan 2019/20 underlying documents prior to the final adoption of the reports.

At the Meeting

The Chief Financial Officer spoke to the latest version of the Draft Annual Plan and Consultation Document (*tabled at the meeting*), and highlighted the following points:

- On 15 March 2019, Council were advised that there would be an average rates increase of 5.9% for 2019/20. Since that meeting information has been received indicating that kerbside recycling costs would increase further bringing the average rates increase to 6.4%.
- It is proposed to spread the increased costs of recycling across a three year period to smooth the rating impact.
- Council has received expert advice that recycling is likely to cost \$72-\$95 per ratepayer, and officers have budgeted on the higher figure of \$95 per ratepayer.

In response to questions it was clarified that the updates and amendments to the underlying documents are simply tidying up policies, which will be fully reviewed in the 2019/20 year ahead of the Long Term Plan.

It was noted that any feedback from the Committee would be required over the next few days, and prior to the documents being taken to Council on 2 April 2019.

Committee's recommendation

David Pearson / Councillor Wise

That Council:

- a. Receive the Annual Plan 2019/20 underlying documents:
 - Draft Annual Plan
 - Revenue and Financing Policy
 - Rates Remission Policy
- b. Recommend to Council for information to be approved for consultation

Carried

2. RISK MANAGEMENT REPORT MARCH 2019

Type of Report: Information

Legal Reference: N/A

Document ID: 715748

Reporting Officer/s & Unit: Adele Henderson, Director Corporate Services

2.1 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

Ross Franklin spoke to the report noting that there have been no significant changes. It was noted that work within the register has been limited due to current workloads and the Manager Business Excellence and Transformation being seconded to another area of Council. Once the team returns to full capacity the draft updated policy and strategy will be reviewed and will then be brought to the Committee.

In response to questions, the following points were clarified:

- Council's major projects are not currently sitting within the Sycle risk register as they are dealt with on a project by project basis. Each project has a project risk register and a governance structure in place to monitor this. Any significant risks identified through this governance structure are elevated to the senior leadership team to be assessed and identified as strategic organisational risks.
- Newly identified risks can always be added to Sycle but only significant risks are raised with the Committee. There will always be risks that Council has no control over, but risks identified in the risk register are those that Council is able to mitigate and manage.
- The Bluff Hill project is currently underway and expected to be downscaled shortly.
- The increase of insurance premiums has been identified as a new risk as this was raised by Council's insurance brokers. This is addressed in the insurance arrangements item.

Committee's recommendation

Councillors Wise / Hague

That Council:

- a. Note the risk management work being undertaken by the Napier City Council Risk Committee.
- b. Note the current Major Project risks.
- c. Receive the latest Risk Report Dated 7 March 2019.

Carried

3. RISK MANAGEMENT - INSURANCE ARRANGEMENTS

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	711491
<i>Reporting Officer/s & Unit:</i>	Bryan Faulknor, Manager Property

3.1 Purpose of Report

To outline Council's current insurance programme, discuss any issues and to provide the opportunity for the Committee to provide feedback for insurance arrangements for the upcoming financial year 2019/20.

At the Meeting

The Manager Property spoke to the report which notes the current insurance arrangements, and invited the Committee to provide feedback into the arrangements for 2019. He advised that an exercise in loss modelling is currently being carried out by AON for the five Hawke's Bay Council's together with the Manawatu Councils, noting that benchmarking is necessary to ensure the valuation of infrastructure is sound and there is a good understanding of replacement values. The current figure of \$120Million is from 2015 and it is timely to reassess this. Council intends to feed the new figure into the insurance arrangements for 2019; however, that can be updated at any time.

In discussing the settlement claim, insurance providers indicated that there may be ramifications in future but this is unknown.

Committee members requested that the Manager Property investigate increasing the indemnity limit for crime insurance as well as cyber-crime cover.

Committee's recommendation

Mayor Dalton / David Pearson

That Council:

- a. Resolve to receive the report on current insurance arrangements.
- b. That any feedback from the committee be considered for incorporation into the insurance arrangements for the insurance year commencing 1 July 2019.

Carried

4. RISK MANAGEMENT - BUSINESS CONTINUITY PLAN UPDATE

Type of Report: Operational

Legal Reference: N/A

Document ID: 715767

Reporting Officer/s & Unit: Adele Henderson, Director Corporate Services

4.1 Purpose of Report

Update on progress towards the development of a Business Continuity Management programme for Napier City Council.

At the Meeting

It was noted that the intention is to extend the impact analysis to include payroll and accounts. The risk analysis is essentially completed through the process of confirming the impact analysis and timeframes. It is expected that this exercise should be complete in around six months' time.

Committee's recommendation

Councillors Hague / Wise

That Council:

- a. Receive the Draft Business Continuity Plan update.
- b. Receive the Draft Business Impact Assessment.
- c. Provide feedback to Council officers for inclusion in final plans.

Carried

5. HEALTH AND SAFETY REPORT

Type of Report: Operational

Legal Reference: N/A

Document ID: 712384

Reporting Officer/s & Unit: Sue Matkin, Manager People & Capability

5.1 Purpose of Report

The purpose of the report is to provide the Audit and Risk Committee with an overview of the health and safety performance as at 31 December 2018.

At the Meeting

The Manager People and Capability spoke to the report, highlighting the following:

- There were eight lost time injuries at this time last year compared to only three in this period.
- Safe work practices have resulted in less medically treated injuries.
- Continued participation at the Health and Safety meetings from various areas of Council has helped to increase together with good information sharing amongst committee members.
- In relation to the Site Wise programme for contractors, there are now only seven contractors in the red with this number continuing to improve.
- A number of Council staff are currently taking part in various activities planned for health and safety wellbeing awareness week.
- Council are developing a domestic violence/ family violence policy and currently applying for White Ribbon accreditation. Council officers intend to select a number of White Ribbon ambassadors from within Council, including the Chief Executive, to help raise awareness.

Committee's recommendation

Councillor Wise / David Pearson

That Council:

- a. Receive the Health and Safety report as at 31 December 2018

Carried

6. EXTERNAL ACCOUNTABILITY - INVESTMENT AND DEBT REPORT

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	713474
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

6.1 Purpose of Report

To consider the snapshot report on Napier City Council's Investment and Debt as at 28 February 2019.

At the Meeting

The Chief Financial Officer spoke to the report noting that the average interest rate decreased due to a large sum having to be held on short term deposit. As at the end of March there is around \$50Million on term deposit but this amount will fluctuate with the rate take coming in.

It was noted that Council's Treasury Policy must be adhered to in relation to investments:

- 30-80% must be invested between 0-6 months,
- 20-70% must be invested between 6-12 months,
- An upper limit of 50% can be invested between 1-3 years, and
- Up to 20% can be invested between 3-5 years.

Committee's recommendation

David Pearson / Councillor Hague

That Council:

- a. Receive the snapshot report on Napier City Council's Investment and Debt as at 28 February 2019.

Carried

7. EXTERNAL AUDIT - AUDIT ARRANGEMENTS FOR YEAR ENDING 30 JUNE 2019

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	713477
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

7.1 Purpose of Report

To outline the audit arrangements for the audit of the Napier City Council for the year ending 30 June 2019.

At the Meeting

The Chief Financial Officer spoke to the report and the Draft Audit Plan for the year ending 30 June 2019 (*tabled at the meeting*), which sets out what the auditors intend to cover at the year-end audit scheduled for 12 August 2019. It was noted that the Audit New Zealand are currently on site completing the 2018/19 interim audit and there appears to be a particular focus on bribery and corruption. Audit New Zealand have requested to come back in June to get a head start on the year end audit.

The Committee were advised that they now have an opportunity to comment on any specific areas that they want the auditors to look at, that have not already been indicated as an area of focus.

It was confirmed that capital projects are already noted in the plan. The Director Infrastructure Services has completed the project management framework, which will come through to the senior leadership team shortly. This is a comprehensive programme linking through to Sytle and will include the financial information for these projects also.

The Chief Executive advised that the current focus on bribery and corruption is a direction from Parliament's Finance and Expenditure Committee, and that Council has already updated the code of conduct to make stronger linkages to the State Services Commission standards of integrity and conduct for public servants.

The Chair directed the Committee to review the draft audit plan and provide any feedback directly to Council officers.

Committee's recommendation

Councillor Hague / Mayor Dalton

That Council:

- a. Resolve that the audit arrangements for the year ending 30 June 2019 as set out in the audit arrangement letter from Audit New Zealand is received.

Carried

PUBLIC EXCLUDED ITEMS

Mayor Dalton / Councillor Wise

That the public (with the exception of John Schellekens from Price Waterhouse Cooper) be excluded from the following parts of the proceedings of this meeting, namely:

1. Control Framework - Freeholding Framework

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. Control Framework - Freeholding Framework	7(2)(i) Enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	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 1.40pm.

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

Chairperson

Date of approval