



AUDIT AND RISK COMMITTEE

Open Minutes

Meeting Date: Friday 20 March 2020

Time: 1.02pm-2.09pm

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

Present John Palaret (In the Chair), Mayor Kirsten Wise, Councillor Nigel Simpson and Councillor Graeme Taylor

In Attendance Acting Chief Executive, Director Corporate Services, Director Community Services, Manager People and Capability, Manager Communications and Marketing, Chief Financial Officer, Accounting Manager

Karen Young – Audit New Zealand

Administration Governance Team

Apologies

J Palairet / Councillor Simpson

That the apology from David Pearson be accepted.

Carried

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Mayor

The Mayor thanked everyone for making themselves available for the meeting, considering the changing situation in relation to Covid-19.

Announcements by the Chairperson

Nil

Announcements by the management

Nil

Confirmation of minutes

Councillors Simpson / Taylor

That the Minutes of the meeting held on 5 December 2019 were taken as a true and accurate record of the meeting.

Carried

AGENDA ITEMS

1. AUDIT AND RISK CHARTER REVIEW

Type of Report: Operational

Legal Reference: N/A

Document ID: 898773

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

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 July 2018.

At the Meeting

The Chief Financial Officer spoke to the report, noting that the Committee's responsibilities are now included in the Risk Charter, as previously requested. It was also noted that the Standing Committee names have now been updated.

Committee's recommendation

Mayor Wise / Councillor Taylor

The Audit and Risk Committee:

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

2. HEALTH AND SAFETY REPORT

Type of Report: Operational

Legal Reference: N/A

Document ID: 908475

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

2.1 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 January 2020.

At the Meeting

The Manager People and Capability provided a brief overview of the Health and Safety report for the period to 31 January 2020.

In response to questions from members, it was noted that officers have attempted to bring the staff flu vaccine date forward; however, this has not been possible. It was noted that Council does not prioritise the flu vaccine by age. A notification has been sent to all staff asking them to register their interest in receiving the flu vaccine. At the time of the meeting, numbers had not been confirmed and officers advised they would have a better indication of how many staff will be taking up the offer in a week or so.

Committee members felt strongly that all staff should be encouraged to have the vaccine.

Committee's recommendation

Councillors Simpson / Taylor

The Audit and Risk Committee:

- a. Receive the Health and Safety report as at 31 January 2020

Carried

3. INSURANCE ARRANGEMENTS

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	908314
<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 2020/21.

At the Meeting

The Director Corporate Services spoke to the report. It was noted that work still needs to be undertaken around probable loss, and the Manager Property was at the time of this meeting, attending a regional insurance meeting where this was to be discussed.

The following points were discussed:

- The insurance programme renews on 1 July, with an opportunity to review this in June. The Chair suggested that it may be beneficial to invite one of the JLT brokers to attend an Audit and Risk Committee meeting, giving members an opportunity to test market information and dig into the financial integrity of reinsurers in order to better understand their rating.
- It was noted that the cost of insurance has increased significantly over the last year and officers are anticipating further changes, following Covid-19. The cost of insurance for the 2019/20 year has increased from \$1.6M to \$2M. Council officers confirmed that this increase had not been budgeted for as the information was not received until June.
- Currently Council's insurance valuation is undertaken every three years. When asked whether this should be completed more frequently, officers and Council's Auditor advised that as Council is dealing with very large numbers the margin of increase by comparison to undertaking say two-yearly valuations would likely be marginal in each year. It was also noted that it also comes down to how confident Council is with their knowledge of the condition of the assets. Council officers confirmed that any additional assets created in the year are identified and included for insurance purposes.

Committee's recommendation

Mayor Wise / Councillor Taylor

The Audit and Risk Committee:

- 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 2020.
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Carried

4. SENSITIVE EXPENDITURE: MAYOR AND CHIEF EXECUTIVE

Type of Report: Operational and Procedural

Legal Reference: N/A

Document ID: 896888

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

4.1 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 Chief Financial Officer spoke to the report and confirmed that all items identified in the report for this quarter comply with Council's policy. Members noted that the Mayor's sensitive expenditure had not been attached to the report.

ACTION: Council officers to provide the Mayor's sensitive expenditure for this quarter to the Committee.

Committee's recommendation

Councillors Taylor / Simpson

The Audit and Risk Committee:

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

Carried

5. INTERNAL AUDIT: FRAUD GAP ANALYSIS

Type of Report: Operational

Legal Reference: Local Government Act 2002

Document ID: 823532

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

5.1 Purpose of Report

To table to the Committee the internal audit on fraud gap analysis undertaken by Council's internal auditors, Crowe.

At the Meeting

The Chief Financial Officer provided an overview of the report.

It was noted that Council officers are currently waiting on further information around staff training, offered through the Police, to recognise some of the ways in which gangs are having an impact on Council activities.

Committee's recommendation

Councillor Simpson / Mayor Wise

The Audit and Risk Committee:

- a. Receive the report from Crowe titled 'Fraud Gap Analysis'

Carried

6. INTERNAL AUDIT: PAYROLL POLICY AND PROCEDURES

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	908898
<i>Reporting Officer/s & Unit:</i>	Raewyn Robertson, Accounting Manager

6.1 Purpose of Report

To table to the Committee the internal audit on payroll undertaken by Council's internal auditors, Crowe.

At the Meeting

The Chief Financial Officer spoke to the report noting that one high risk had been identified through this process, that being compliance with the Holidays Act. It was confirmed that a request for proposal for a new payroll system is currently being written and this report will feed into that. The request for proposal is due to be completed in the fourth quarter of 2019/20, with implementation of the new payroll system anticipated for the first quarter of 2020/21.

The Auditor queried whether any instances of non-compliance had been identified and if any remedial actions had taken place. The Director Corporate Services noted that an audit had been undertaken a few years ago and believes that the requirements had been met up to that point, to the best of Council's knowledge. The Auditor recommended that officers seek clarification from the internal auditors as to whether they had identified any instances of non-compliance that may need to be addressed.

ACTION: Council officers to follow up with Audit New Zealand in relation to identifying any potential instances of non-compliance with the Holidays Act.

Committee's recommendation

Councillors Taylor / Simpson

The Audit and Risk Committee:

- a. Receive the report from Crowe, Internal Auditors, titled 'Payroll Internal Audit'

Carried

7. EXTERNAL ACCOUNTABILITY - INVESTMENT AND DEBT REPORT

Type of Report: Operational

Legal Reference: N/A

Document ID: 908476

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

7.1 Purpose of Report

To consider the snapshot report on Napier City Council's Investment and Debt as at 29 February 2020.

At the Meeting

The Chief Financial Officer spoke to the report and provided a brief overview. The Director Corporate Services noted that although still in a current cash position, Council will be looking to move into an external debt position through the Annual Plan, depending on the timing of projects.

Committee's recommendation

Councillor Taylor / Mayor Wise

The Audit and Risk Committee:

- a. Receive the snapshot report on Napier City Council's Investment and Debt as at 28 February 2020.

Carried

8. EXTERNAL ACCOUNTABILITY: ANNUAL PLAN 2020/21 UNDERLYING DOCUMENTS

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	909954
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

8.1 Purpose of Report

That the Committee review and provide feedback to Council on the Annual Plan 2020/21 underlying financial information prior to the final adoption of the reports.

At the Meeting

The Director Corporate Services spoke to the report, noting the risks associated with Covid-19, and advised that she had met with the Auditor in order to get a better understanding around what Council is required to present to the community during this period and how this will impact the annual plan process. It was noted that Council will need to further identify the risk for income on tourism and any associated costs for the rates remission policy. Officers advised that the recommended approach may be to put the annual plan as it stands on hold and revisit some of those assumptions and review timeframes, which could put Council in breach of the 30 June deadline. The Department of Internal Affairs are looking at those dates given the current circumstances.

The following points were discussed:

- The revenue impact of Covid-19 on Council's current year's performance is around \$1Million.
 - All public meetings regarding the Annual Plan have now been cancelled. Officers are considering livestreaming Q+A sessions etc. instead.
 - A 6.5% rates increase was originally planned.
 - Further consultation is also being considered around the revenue and financing policy. Following workshops with Council, as number of significant changes were planned and it had already been determined that Council would delay consultation and consult meaningfully with the community, followed by a hearings process. Financial and timing changes were planned, and particularly the rural and bay view areas would be impacted. The risk is that Council could be challenged on the current system; Council would like to mitigate that risk and confirm current differentials as part of the Annual Plan process.
 - The current rating system was set in 2001 and there is a prescribed process for the review of rates in the Local Government Act 2002. At this time is more prudent for officers to take their time with Council and work through the changes with the community.
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Officer's recommendation

The Audit and Risk Committee:

- a. Receive the underlying information as the basis for the Annual Plan consultation document 20/21:
 - i. Capital plan changes
 - ii. 10 year revised capital plan
 - iii. Financial information
- b. Provide feedback from the review of the draft Annual Plan 20/21 underlying financial information to the Council meeting on 31 March 2020.

Substitute Motion

Committee's recommendation

Councillor Taylor / Mayor Wise

The Audit and Risk Committee:

- a. Receive the underlying information as the basis for the Annual Plan consultation document 20/21:
 - i. Capital plan changes
 - ii. 10 year revised capital plan
 - iii. Financial information
- b. Provide feedback from the review of the draft Annual Plan 20/21 underlying financial information to the Council meeting on 31 March 2020.
- c. Note that further review should be undertaken in light of Codiv-19 impacts to NCC
- d. And that the full council be advised immediately of this review.

Carried

9. EXTERNAL ACCOUNTABILITY - LONG TERM PLAN PROCESS UPDATE

Type of Report: Operational

Legal Reference: Local Government Act 2002

Document ID: 910182

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

9.1 Purpose of Report

To update the Committee on the processes and risk assessment for development of the Long Term Plan.

At the Meeting

The Director Community Services spoke to the report and advised that diverted resources at the moment could impact on the timeline for development of the long term plan. The Mayor noted that the three waters review will have significant impacts on the long term plan. Council officers confirmed that work is underway for a three waters review across the five councils, with support and funding from the Department of Internal Affairs.

Committee's recommendation

Mayor Wise / Councillor Taylor

The Audit and Risk Committee:

- a. Note current risk assessment and note next steps in the process as outlined in the report.

Carried

10. COVID-19 (CORONAVIRUS) AND BUSINESS CONTINUITY PLANNING

Type of Report: Operational

Legal Reference: N/A

Document ID: 911815

Reporting Officer/s & Unit: Antoinette Campbell, Director Community Services

10.1 Purpose of Report

To inform the Audit and Risk Committee of Napier City Council's planned response to the COVID-19 global pandemic.

At the Meeting

The Director Community Services spoke to the report noting that since writing the report, the situation has changed considerably. An overview was provided in relation to the current status of confirmed cases, noting since the meeting started Hawkes Bay had officially confirmed their first case. The World Health Organisation dashboard is being updated regularly.

The following points were discussed:

- Council's response is to encourage people to stay home if feeling unwell and that medical advice should be sought through healthline.
 - Business continuity plans across the organisation are currently being reviewed, specifically in relation to pandemic response and a pandemic plan has been developed. Officers are testing business operations to see if any safeguards need to be put in place.
 - Existing business continuity plans were focused on a lack of staff to carry out priority work identified across Council; however, officers are finding that there is a surplus of staff at present. All casual staff have been let go. Some teams have found work in other areas of the organisation and some of the facilities staff are busy at present managing cancellations etc., but that work will soon end.
 - All international travel for staff has been cancelled. Domestic travel is still proceeding as at the time of this meeting.
 - The estimated loss of revenue for facilities is \$1.055Million as at the time of the meeting. Further cancellations are being received daily.
 - The limit of 100 people or less for indoor gatherings is being maintained at facilities. Council is continuing to open facilities at this time but officers will be reviewing this and taking guidance from the Ministry of Health.
 - Although outdoor gatherings of up to 500 people could still proceed under the current restrictions, Council events have been cancelled as a precautionary approach.
 - Within Council, staff are practising social distancing and a directive has been given by management to reduce meeting attendance numbers.
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- Staff required to keep water systems running have been separated and are now located away from other staff.
 - It was noted that Hastings had a dedicated assessment centre and the District Health Board have advised that Napier will have one shortly.
 - The Mayor's and Chief Executives are having bi-weekly conference calls to ensure that everyone is informed, actively working together and supporting each other.
 - The Ministry of Health have provided PPE for staff members who may come into contact with people exposed to the virus e.g. Kennedy Park cleaners etc.
 - An additional 34 laptops have been purchased for use by staff, if required. Council currently has 170 users working remotely and the current server has the ability to provide for a further 30 users. A new server is now being built at Revera in Auckland which will allow all staff to work remotely.

The Acting Chief Executive acknowledged staff involved in developing and implementing the pandemic plan. He advised committee members that a number of staff, including the Director Community Services, are under intense pressure at this time. He noted that he has been very impressed with the organisation's response to date and the work undertaken around business continuity plans. He also confirmed that his recommendation to the senior leadership team was that Council should be taking a cautionary approach.

Committee's recommendation

Councillor Taylor / Mayor Wise

The Audit and Risk Committee:

- a. Note Napier City Council's response to the worldwide Novel Coronavirus pandemic (COVID-19) to ensure potential disruption to business operations are minimised as far as practicable.

Carried

PUBLIC EXCLUDED ITEMS

Councillors Taylor / Simpson

That the public, with the exception of Karen Young from Audit New Zealand, be excluded from the following parts of the proceedings of this meeting, namely:

1. Legal Update
2. Appointment Process
3. Revera Lead Agency IaaS Status Report

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. Legal Update	<p>7(2)(b)(ii) Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>7(2)(g) Maintain legal professional privilege</p> <p>7(2)(i) Enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</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>
2. Appointment Process	<p>7(2)(f)(ii) Maintain the effective conduct of public affairs through the protection of such members, officers, employees and persons from</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</p>

	improper pressure or harassment	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. Revera Lead Agency IaaS Status Report	7(2)(c)(i) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied	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 2.09pm.

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

Chairperson

Date of approval