



# AUDIT AND RISK COMMITTEE

## Open Minutes

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Meeting Date: Friday 18 September 2020

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Time: 1.02pm-1.53pm

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Venue Large Exhibition Hall  
Napier War Memorial Centre  
Marine Parade  
Napier

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Present John Palairt (In the Chair), Mayor Kirsten Wise, David Pearson, Councillor Nigel Simpson [from 1.04pm] and Councillor Graeme Taylor

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In Attendance Karen Young – Audit New Zealand Interim Chief Executive [from 1.08pm], Director Corporate Services, Director Infrastructure Services, Manager People and Capability, Chief Financial Officer, Manager Property, Manager Business Excellence and Transformation, Risk and Assurance Lead, Accounting Manager

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Administration Governance Team

### **Apologies**

Councillor Simpson's apology for lateness was noted.

### **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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D Pearson / Mayor Wise

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That the Minutes of the meeting held on 12 June 2020 were taken as a true and accurate record of the meeting.

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Carried

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# AGENDA ITEMS

## 1. HEALTH AND SAFETY REPORT

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*Type of Report:* Operational

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*Legal Reference:* N/A

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*Document ID:* 954020

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

### 1.1 Purpose of Report

The purpose of this paper is to provide the Audit & Risk Committee with an overview of Health & Safety activity for the year ended 30 June 2020.

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#### At the Meeting

The Manager People and Capability spoke to the report, providing a brief overview and noting that the activity in this report was undertaken in the last financial year.

In response to questions from the Committee, the following points were clarified:

- Following the disbanding of the ACC accreditation system, presumably due to costs, Council is now investigating the option of an external auditor in order to meet their monitoring and checking requirements.
- The PCBU must meet all their duties and obligations in accordance with the legislation and the 'Officer' is required to exercise due diligence in ensuring this occurs. This responsibility ultimately lies with the Chief Executive, as Council's 'Officer', and those with significant decision making powers across the organisation (the Senior Leadership Team). From there, the risk is spread across the organisation as a whole.
- Current legislation requires Council to manage asbestos exposure for all staff, even where the exposure occurred prior to being employed by Council.
- The increasing number of injuries is likely a result of Council's improved reporting in this area. It is important to understand how injuries occurred in order to prevent them from recurring. Full investigations are completed in relation to some incidents, e.g. the rock fall at Bluff Hill.

**ACTION:** In order to identify whether any gaps exist, Council officers agreed to include the following in the Health and Safety Report moving forward:

- The number of positions identified within Council that require health and safety training to be completed, compared to the numbers where training was completed.
  - The number of positions identified within Council that require health monitoring, compared to the number of workers screened.
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**Committee's recommendation**

Councillor Simpson / D Pearson

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The Audit and Risk Committee:

- a. Receive the Health and Safety report.

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Carried

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## 2. NCC H&S CHARTER AND DUE DILIGENCE WORK PLAN

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*Type of Report:* Operational

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*Legal Reference:* N/A

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*Document ID:* 961197

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*Reporting Officer/s & Unit:* Sue Matkin, Manager People & Capability  
Michelle Warren, Health and Safety Lead

### 2.1 Purpose of Report

The purpose of this paper is to inform the Audit & Risk Committee about the agreed pathway of health and safety leadership at Napier City Council, in relation to Duties of Officers, under the Health and Safety at Work Act 2015 (HSWA). The plan also includes those who have significant influence over the whole business, i.e. the Senior Leadership Team.

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#### **At the Meeting**

The Manager People and Capability spoke to the report and provided a brief overview. It was noted that officers have developed a comprehensive due diligence plan and the Health and Safety team are now considering how this can be rolled out and implemented across the organisation.

#### **Committee's recommendation**

Councillor Taylor / D Pearson

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The Audit and Risk Committee:

- a. Receive the report titled NCC H&S Charter and Due Diligence Work Plan.

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Carried

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### 3. INSURANCE UPDATE

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*Type of Report:* Operational

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*Legal Reference:* N/A

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*Document ID:* 961847

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*Reporting Officer/s & Unit:* Bryan Faulknor, Manager Property

#### 3.1 Purpose of Report

To update the committee on the finalisation of the procurement of Insurance Brokerage Services and renewal of insurance coverage.

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#### At the Meeting

The Manager Property spoke to the report noting the change in broker to Aon, and that the existing Policy had been rolled over in order to align with the other Councils in the collective. Council officers intend to arrange an insurable risk profile workshop with the Audit and Risk Committee and Aon as soon as possible.

Officers confirmed that loss modelling will be completed for Council, which will provide a more detailed analysis of Council's underground infrastructure and will be conducted by Aon and Tonkin Taylor. This will help officers to ascertain what Council should be insuring moving forward, and will also assist with the three waters resilience planning. It was noted that efforts were made to align this work across the region, however, the timing could not be agreed across the Councils.

In response to questions from the Committee, the following points were clarified:

- It was noted that cyber-crime insurance is expensive and should be considered as part of the review of Council's cyber systems. These systems need to be identified and assessed before insurance can be discussed.
- The main policies do not have a shared limit with the other Councils in the collective, as these are insured on a policy-by-policy basis between each Council and the broker.

**ACTION:** Council officers to consider and quantify the level of crime insurance in order to ensure the level of indemnity is adequate. Premium quotes to be requested for different levels of crime insurance.

#### Committee's recommendation

D Pearson / Councillor Simpson

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The Audit and Risk Committee:

- a. Resolve to receive the report on current brokerage and insurance arrangements

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Carried

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## 4. RISK MANAGEMENT REPORT SEPTEMBER 2020

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<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	961668
<i>Reporting Officer/s &amp; Unit:</i>	Jane Klingender, Manager Business Excellence & Transformation Dave Jordison, Risk and Assurance Lead

### 4.1 Purpose of Report

To provide the Audit and Risk Committee (Committee) with an update on risk management with reference to responsibilities listed in the Audit & Risk Charter; to report on high and extreme strategic risks; and to note emerging risks.

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#### At the Meeting

The Risk and Assurance Lead spoke to the report noting that Sycle is a capable system and he will work with activity managers in order to update the risks over the next couple of months. This work has been aligned with the Long Term Plan development to ensure that managers are aware of and understand the risks pertinent to their business unit. It was also noted that currently, Covid-19 risks are acknowledged as strategic risks.

The Interim Chief Executive advised that Council needs to consider the overarching risk and determine the degree of risk that Council is prepared to accept. Council officers noted that the Municipal Theatre had been identified as an emerging risk, specifically, access for workers and contractors working above the stage. They are currently working at a height of seven metres trying to service lighting etc. Estimates have been requested and, at this stage, it appears that the installation of a catwalk will be the best option.

In response to questions from the Committee, it was noted that no project risks are included in the report as these are not currently included in the data. It was previously agreed that project risks should be managed within the design and projects team at a project level. When updating the data in Sycle, operational risks will be considered first with project risks at an organisational level to follow.

#### Committee's recommendation

Councillors Taylor / Simpson

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The Audit and Risk Committee:

- a. Receive the Risk Management Report September 2020
- b. Note the Risk Management work being undertaken
- c. Note the current high and extreme risks
- d. Note the emerging risks

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Carried

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## 5. THREE WATERS REFORM PROGRAMME - DELIVERY PLAN

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<i>Type of Report:</i>	Contractual
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	961277
<i>Reporting Officer/s &amp; Unit:</i>	Adele Henderson, Director Corporate Services Jon Kingsford, Director Infrastructure Services

### 5.1 Purpose of Report

Council has signed the Memorandum of Understanding for the government's 3 Waters Reform programme. It is now required to complete the Funding agreement and Delivery Plan by 30 September 2020.

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#### At the Meeting

The Director Infrastructure Services spoke to the report noting that of the \$50Million allocated to Hawke's Bay under the government's Three Waters Reform programme, \$12.5Million has been allocated to Napier City Council. A brief overview of the Funding Agreement and Delivery plan was provided, both of which were developed by Council officers following Council's signing of the Memorandum of Understanding. Committee members were provided with draft copies of the documents previously provided to Council at the Extraordinary Meeting of Council held on 15 September 2020, and advised that final these will go back to Council before 30 September 2020 once the Delivery Plan has been finalised.

It was noted that the Delivery Plan details a \$17Million work programme, and due to the short period of time required to implement the programme of work, resourcing had been identified as a risk. The risk being that Council may not be able to complete the work in the timeframe required as all Councils will be recruiting for the same skills and expertise at the same time. Council may need to adjust the work programme if this occurs and although Council's preference is to employ staff on a fixed term basis, contractors and consultants may need to be considered.

The Director Infrastructure Services advised the Committee that a lot of work has gone into developing the Delivery Plan, interrupting other programmes of work, and that actual delivery of the work programme is again going to greatly impact staff workloads.

#### Officer's Recommendation

The Audit and Risk Committee:

- a. Note the progress with Three Waters Reform Programme.
- b. Review the DIA Funding Agreement and Delivery Plan and provide any feedback to Council.



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**SUBSTITUTE MOTION**

**Committee's recommendation**

D Pearson / Councillor Simpson

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The Audit and Risk Committee:

- a. Note the progress with Three Waters Reform Programme.
- b. Note that the DIA Funding Agreement and Delivery Plan will be circulated to the committee via email and any feedback is to be provided to the Director Infrastructure Services by 23 September 2020.

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Carried

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## 6. EXTERNAL ACCOUNTABILITY: INVESTMENT AND DEBT REPORT

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*Type of Report:* Operational

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*Legal Reference:* N/A

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*Document ID:* 954018

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*Reporting Officer/s & Unit:* 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 31 August 2020.

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#### At the Meeting

The Chief Financial Officer spoke to the report, providing a brief overview and noting that as at 31 August 2020, Council had \$54.3Million invested at an average interest rate of 2.14%, and the weighted average investment rate for the last 12 months to date is 2.53%.

#### Committee's recommendation

Councillor Taylor / D Pearson

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The Audit and Risk Committee:

- a. Receive the snapshot report on Napier City Council's Investment and Debt as at 31 August 2020.

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Carried

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## 7. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

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*Type of Report:* Procedural

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*Legal Reference:* N/A

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*Document ID:* 954021

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*Reporting Officer/s & Unit:* 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.

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#### At the Meeting

The Chief Financial Officer spoke to report noting that expenditure items under the Mayor and Chief Executive, in relation to air travel for the Local Government New Zealand meeting, are now in credit with the airline as the meeting was attended via Zoom due to Covid-19 alert level restrictions. It was also noted that two transactions relating to costs in November have pulled through following a late credit card statement reconciliation.

#### Committee's recommendation

D Pearson / Councillor Simpson

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The Audit and Risk Committee:

- a. Receive the 30 June 2020 quarterly report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.

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Carried

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## 8. INTERNAL AUDIT - PROPOSED PROGRAMME FOR 2020/21

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*Type of Report:* Operational

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*Legal Reference:* N/A

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*Document ID:* 954027

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

### 8.1 Purpose of Report

To table to the Committee the internal audit programme for 2020/21 from Crowe. Recommendations, feedback and any other review priorities the Committee deems relevant, is sought

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#### At the Meeting

The Chief Financial Officer spoke to report, noting that the report sets out the proposed internal audit programme for the 2020/21 year. The data analytics audit has been brought forward as this is able to be undertaken offsite by the internal audit providers.

#### Committee's recommendation

Councillor Taylor / D Pearson

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The Audit and Risk Committee:

- a. Resolve that the internal audit programme for 2020/21 from Crowe is received and approved.

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Carried

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## 9. LEGISLATIVE COMPLIANCE: ANNUAL TAX UPDATE TO 30 JUNE 2020

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*Type of Report:* Operational

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*Legal Reference:* Local Government Act 2002

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*Document ID:* 962276

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

### 9.1 Purpose of Report

To provide the Audit and Risk Committee with the annual tax update on progress made during the period up to 30 June 2020.

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#### At the Meeting

The Chief Financial Officer spoke to the report, noting that the annual update is provided by Council's tax advisors PwC and includes commentary on current tax matters and a tax update.

Committee members agreed that they were comfortable with three yearly checks on this work programme.

#### Committee's recommendation

Mayor Wise / D Pearson

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The Audit and Risk Committee:

- a. Receive the report from PwC titled 'Napier City Council Annual Tax Update year to 30 June 2020'.

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Carried

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# PUBLIC EXCLUDED ITEMS

Councillors Simpson / Taylor

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

1. External Accountability: Draft Annual Report 2019/20
2. Resource Consent

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. External Accountability: Draft Annual Report 2019/20	7(2)(g) Maintain legal professional privilege 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.
2. Resource Consent	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 Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
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The meeting moved into committee at 1.53pm.

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

Chairperson .....

Date of approval .....