



**NAPIER**  
CITY COUNCIL  
*Te Kaunihera o Ahuriri*

Napier Civic Building  
231 Hastings Street  
t +64 6 835 7579  
e [info@napier.govt.nz](mailto:info@napier.govt.nz)  
[www.napier.govt.nz](http://www.napier.govt.nz)

# AUDIT AND RISK COMMITTEE

## Open Minutes

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Meeting Date: Wednesday 16 June 2021

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Time: 1.00pm-3.00pm

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

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*Livestreamed via Council's Facebook site*

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Present John Palairet (In the Chair), Mayor Kirsten Wise, David Pearson,  
Councillors Nigel Simpson and Councillor Graeme Taylor

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In Attendance Director Corporate Services (Adele Henderson)  
Chief Financial Officer (Caroline Thomson)  
Director Community Services (Antoinette Campbell)  
Director Infrastructure Services (Jon Kingsford)  
Manager People and Capabilities (Sue Matkin)  
Audit New Zealand (Karen Young)  
Chief Financial Officer (Caroline Thomson)  
Procurement Lead (Sharon O'Toole)  
Manager Information Services (Duncan Barr)  
Manager Property (Bryan Faulknor)

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Administration Governance Advisor (Carolyn Hunt)

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## Apologies

Nil

## Conflicts of interest

*David Pearson declared a conflict of interest in Public Excluded Item 7 - "Update Remediation Pathway"*

## 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 Taylor / D Pearson

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That the Minutes of the meeting held on 26 March 2021 were taken as a true and accurate record of the meeting.

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Carried

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# AGENDA ITEMS

## 1. EXTERNAL AUDIT: AUDIT NZ MANAGEMENT REPORT CONSULTATION DOCUMENT 2021-31

Type of Report:	Legal and Operational
Legal Reference:	Local Government Act 2002
Document ID:	1315061
Reporting Officer/s & Unit:	Caroline Thomson, Chief Financial Officer

### 1.1 Purpose of Report

To receive the Audit New Zealand management report for the Consultation Document for the Long Term Plan 2021-31

#### At the Meeting

The Chief Financial Officer, Ms Thomson advised that Audit New Zealand had completed the audit of Council's Long Term Plan consultation document and had issued an unmodified opinion. Two emphasis of matters paragraphs were included in the audit report in regard to the uncertainties associated with three water reforms, and the uncertainty over the delivery of the capital programme.

Audit New Zealand had identified four matters during the audit, however none of these were considered significant.

Council having completed consultation on the Long Term Plan heard submissions and deliberated on the Long Term Plan during the week commencing 8 June and reconvening on 9 and 10 June 2021.

#### Committee's recommendation

Councillor Taylor / Mayor Wise

The Audit and Risk Committee:

- Receive the Audit NZ management report for the Consultation Document for the Long Term Plan 2021-31.
- Note that consultation for the Long Term Plan has been completed, and Council undertook the hearings and deliberations process from 8 June 2021.

Carried

## 2. EXTERNAL ACCOUNTABILITY: INVESTMENT AND DEBT REPORT

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1315064
<i>Reporting Officer/s &amp; Unit:</i>	Caroline Thomson, Chief Financial Officer

### 2.1 Purpose of Report

To consider the snapshot report on Napier City Council's Investment and Debt as at 31 May 2021.

#### At the Meeting

The Chief Financial Officer, Ms Thomson spoke to the report which provided a snapshot of Council's investment and debt as at 30 April 2021. It was noted that Council held \$52.9m on term deposit at an interest rate below 1% resulting in a decline in investment income.

#### Committee's recommendation

D Pearson / Councillor Simpson

The Audit and Risk Committee:

- a. Receive the snapshot report on Napier City Council's Investment and Debt as at 30 April 2021.

Carried

## 3. RISK MANAGEMENT REPORT JUNE 2021

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1315819
<i>Reporting Officer/s &amp; Unit:</i>	Jane Klingender, Manager Business Excellence & Transformation

### 3.1 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 Director Corporate Services, Ms Henderson spoke to the report advising that work was progressing in and around risk management, with a lot of work being undertaken around Business Continuity Plans.

There were emerging issues with borders closed and a high level demand for resources. Discussion had been undertaken with a number of agencies in regard to resourcing skills, whereas previously there had been the ability to fill gaps from overseas, however with migration changes there has been an impact.

Project risks were identified within individual projects with accumulation of risks included. The Action Plan have all targeted action plans, timelined and dates for completion.

### Committee's recommendation

Councillors Palairt / Taylor

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The Audit and Risk Committee:

- a. Receive the Risk Management Report dated 16 June 2021;
- b. Note the progress against the agreed action plan to progress towards organisational risk maturity and to review statutory compliance at least annually, including identifying progress against the top five risks agreed by Council;
- c. Note that an independent audit of the Business Continuity Programme has been undertaken and a final report and updated action plan will be provided at the next Audit and Risk Committee meeting; and
- d. Note the emerging risks.

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Carried

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## 4. AUDIT AND RISK CHARTER REVIEW

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Type of Report:	Operational
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Legal Reference:	N/A
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Document ID:	1317276
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Reporting Officer/s & Unit:	Caroline Thomson, Chief Financial Officer
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### 4.1 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 on 20 March 2020.

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### At the Meeting

The Chief Financial Officer, Ms Thomson spoke to the report advising that an annual review of the Audit and Risk Committee Charter had been completed with suggested changes being:

- Composition and Tenure: include independent members with infrastructure knowledge.
- Governance Responsibility: governance test and challenge.
- Additional meetings that may be required.

It was noted that discussions had been held with the Hastings District Council's Group Manager Corporate and Chair of the Risk and Audit Committee, Jon Nichols (independent member) who advised that an additional independent member John Park had been appointed for his experience in infrastructure and asset management. Wellington Council were also doing something similar and it was noted that not all skills may be attained in two people but may need up to three.

The meeting agreed to the Charter changes with additional inclusion of:

- Up to 3 independent members.
- 1 representative from the Māori Committee
- Total number of 7 Committee members

### Committee's recommendation

Mayor Wise / Councillor Taylor

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The Audit and Risk Committee:

- a. Review the Audit and Risk Committee Charter
- b. Additional recommended changes to the Audit and Risk Charter (*Doc Id 325090*) for Council approval as follows:

#### Composition and Tenure:

- Increase Audit and Risk Committee members to 7
  - Increase independent members to 3
  - Add a representative from the Māori Committee
- c. Agree the role the Audit and Risk Committee would like to undertake as part of the proposed Local Government reform and revise the Audit Charter accordingly

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Carried

### Attachments

- 1 Audit and Risk Committee Charter 2021.docx
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## 5. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

<i>Type of Report:</i>	Procedural
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1318443
<i>Reporting Officer/s &amp; Unit:</i>	Caroline Thomson, Chief Financial Officer

### 5.1 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, Ms Thomson spoke to the report and confirmed that all items identified in the report for this quarter comply with Council's policy.

#### Committee's recommendation

Councillor Taylor / D Pearson

The Audit and Risk Committee:

- a. Receive the 31 March 2021 quarterly report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.

Carried

## 6. PROCUREMENT ACTION PLAN - TO ADDRESS THE FINDINGS OF THE INTERNAL AUDIT OF TENDERING PROCESSES

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1320732
<i>Reporting Officer/s &amp; Unit:</i>	Sharon O'Toole, Procurement Lead

### 6.1 Purpose of Report

This report is to provide details of the procurement action plan, these are the planned actions to address the recommendations from the PWC internal audit report of Tendering Processes (Feb 2021).

### At the Meeting

The Procurement Lead, Ms O'Toole provided a brief summary of the details of the procurement action plan which addressed recommendations from the PWC Internal Audit of Council's procurement (tendering) processes. There were five main themes being Policy, Process, People, Technology and Data. There was no specific timeline at this stage as allocation of resource was yet to be finalised.

A procurement governance group has been set up consisting of the Director Corporate Services, Director Infrastructure Services and the Chief Financial Officer.

Policy and strategy outputs from the procurement action plan would require Council approval to ensure it supported Council's Objectives.

It was noted that Ms O'Toole had accepted a position in Wellington and this was her last Audit and Risk Committee meeting. The Chair on behalf of the Committee wished Ms O'Toole well in her new endeavours.

### Committee's recommendation

D Pearson / Mayor Wise

The Audit and Risk Committee:

- a. Endorse the procurement improvement action plan which addresses the recommendations and risks outlined in the PWC internal audit report of Tendering Processes (Feb 2021).

Carried

## 7. LOCAL GOVERNMENT REFORM

Type of Report:	Information
Legal Reference:	Local Government Act 2002
Document ID:	1321146
Reporting Officer/s & Unit:	Adele Henderson, Director Corporate Services

### 7.1 Purpose of Report

To initiate discussions with the Audit and Risk Committee regarding the proposed Local Government reform. To discuss the role of the Committee in relation to these reforms and agree any next steps.

### At the Meeting

It was noted that the three key focus areas of Central Government were; Local Government Reform; Three Waters Reform and the Resource Management Act. Information had been provided and discussion held with the Mayor, Chief Executive and officers. Local government reform with the changes proposed on three waters will have an impact on residual councils.



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The Three Waters Reform was moving ahead through the Department of Internal Affairs (DIA) programme of engagement with Local Government and mana whenua/iwi. Government's intention was to reform local government's three waters services into a small number of multi-regional entities. The DIA are due to release to local government where each local government may sit with a number of entities, by now. A revised plan would be available at the end of the month, however rumours are that the "opt in" "out out" option may not exist in the future.

Officers had attended a workshop on 16 June 2021 held by the local government reform panel consisting of five members to consult and engage with councils across New Zealand. Terms of reference identified a purpose looking at how local democracy and governance needed to evolve to improve the wellbeing of community. A copy of the workshop powerpoint presentation (*Doc Id 1326284*) and the timeline (*Doc Id 1327146*) are attached as a separate document to the Minutes.

A report on the Local Government Reform will form part of a regular reporting item on the Audit and Risk Committee agenda.

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

Councillors Simpson / Taylor

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The Audit and Risk Committee:

- a. Note the update on Three Waters Reform from the Department of Internal Affairs.
- b. Note the update on the Local Government Reform from the Department of Internal Affairs.
- c. Note the update and changes to the Resource Management Act.
- d. Note the report on Advancing the evidence base – Three Waters Reform Programme (*Doc Id 1326620*).
- e. Discuss and agree the role that the Audit and Risk Committee will play in relation to the proposed changes to Local Government including setting expectations for future report requirements by officers to the Committee.

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Carried

#### **Attachments**

- 1 Briefing for Napier Local Government
  - 2 Timeline for Reform
  - 3 Advancing the Evidence Base - 3 Waters reform
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## 1. HEALTH AND SAFETY REPORT TO 31 MAY 2021

Type of Report:	Enter Significance of Report
Legal Reference:	Enter Legal Reference
Document ID:	1325722
Reporting Officer/s & Unit:	Sue Matkin, Manager People & Capability

### 1.1 Purpose of Report

The purpose of this report is to provide all NCC Staff with an overview of the health and safety performance as at **31 May 2021**.

#### At the Meeting

The Manager People and Capability, Sue Matkin spoke to the report and provided a brief update in relation to health and safety initiatives and noted that there had only been 2 lost time injuries recorded since January 2021.

#### Committee's recommendation

D Pearson / Mayor Wise

The Audit and Risk Committee:

- a. Receive the Health and Safety report for the period 1 January to 31 May 2021.

Carried

## PUBLIC EXCLUDED ITEMS

Councillors Taylor / Simpson

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

1. Annual Security Audit
2. Website Denial of Service Attack Mitigation
3. NCC IT BCP/DR Testing
4. Cybersecurity Framework Update
5. Insurance
6. Investment Strategy
7. Update Remediation Pathway

And that Karen Young, Audit New Zealand be allowed to remain during the Public Excluded session due to her knowledge of the matters which may assist in any queries the meeting may have.

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. Annual Security Audit	7(2)(e) Avoid prejudice to measures that prevent or mitigate material loss to members of the public  7(2)(f)(ii) Maintain the effective conduct of public affairs through the protection of such members, officers, employees and persons from improper pressure or harassment	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. Website Denial of Service Attack Mitigation	7(2)(j) Prevent the disclosure or use of official information for improper gain or improper advantage	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.
3. NCC IT BCP/DR Testing	7(2)(h) Enable the local authority to carry out, without	48(1)A That the public conduct of the whole or the relevant part of the

	prejudice or disadvantage, commercial activities	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.
4. Cybersecurity Framework Update	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  7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	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.
5. Insurance	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.
6. Investment Strategy	7(2)(f)(ii) Maintain the effective conduct of public affairs through the protection	48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting

	of such members, officers, employees and persons from improper pressure or harassment	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.
7. Update Remediation Pathway	<p>7(2)(ba) The item relates to an application for a resource consent or water conservation order or a requirement for a designation or heritage order under the Resource Management Act 1991 and the withholding of the information is necessary to avoid serious offence to tikanga Māori or to avoid the disclosure of the location of waahi tapu</p> <p>7(2)(d) Avoid prejudice to measures protecting the health and safety of members of the public</p> <p>7(2)(g) Maintain legal professional privilege</p> <p>7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities</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: (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>

*The meeting closed at 3.00pm*

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

Chairperson .....

Date of approval .....