



AUDIT AND RISK COMMITTEE

Open Minutes

Meeting Date: Thursday 5 September 2024

Time: 9.30am – 11.32am (*Open*)
11.50am – 12.10pm (*Public Excluded*)

Venue Council Chambers
Hawke's Bay Regional Council
169 Dalton Street
Napier

Present **Chair:** Bruce Robertson
Members: Mayor Kirsten Wise, David Pearson, Councillors Sally Crown (Deputy Chair), Greg Mawson and Hayley Browne

In Attendance Chief Executive (Louise Miller)
Acting Executive Director City Services (Jessica Ellerm)
Executive Director Infrastructure Services (Russell Bond)
Executive Director City Strategy (Rachel Bailey) [via Teams]
Acting Executive Director Corporate Services (Caroline Thomson)
Financial Controller (Talia Foster)
Internal Audit Lead (Raewyn Fowler)
Team Leader Governance (Anna Eady)
Strategic Programmes Manager (Darran Gillies)
Manager Asset Strategy (Kate Ivicheva)
Procurement Manager (Sharon O'Toole)
Business Improvement Manager (Alister Edie)
Risk and Assurance Lead (Dave Jordison)
Audit New Zealand (Karen Young) [via Teams]

Also in Attendance Councillor Simpson

Administration Governance Advisor (Carolyn Hunt)

AUDIT AND RISK COMMITTEE – Open Minutes

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ORDER OF BUSINESS

Karakia

The meeting opened with the Council karakia.

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

Bruce Robertson / Councillor Crown

That the Minutes of the Audit and Risk Committee meeting held on Friday, 14 June 2024 were taken as a true and accurate record of the meeting.

Carried

AGENDA ITEMS

1. CIVIC PRECINCT MAIN CONTRACTOR PROCUREMENT

Type of Report: Operational

Legal Reference: N/A

Document ID: 1783487

Reporting Officer/s & Unit: Darran Gillies, Strategic Programmes Manager

1.1 Purpose of Report

To seek endorsement of the approach to the Civic Precinct main contractor procurement approach, and to share the accompanying Probity Plan. To enable the release of the Registration of Interest to the market.

At the meeting

The Strategic Programmes Manager, Mr Gillies provided a brief summary of the report outlining the procurement plan that supported the release of the main contractor tender to the market. Mr Gillies also outlined the basis of the probity management which was to ensure the integrity process of conducting a procurement.

In response to questions the following was clarified:

- Mr Gillies advised of an amendment to page 25, paragraph 6.6 of the Procurement Plan (Mandatory requirements) changing the figure of \$35m to \$25m for a contractor having undertaken a project of that value in a regional centre in the last five years. Reducing the amount to \$25m would provide a better opportunity to allow the local regional market to bid for the work to enter the Registration of Interest process.
- General evaluation criteria includes multiple workshops, usually within the design team and using the expertise they have of doing previous tenders. There are multiple disciplines of structural engineers, architects, quantity surveyors and procurement experts who have all had input into this process.
- Consentable detailed design will be completed prior to going to tender and any changes by the contractor would not be fundamental design changes.
- A detailed value engineering exercise has been undertaken during the last ten weeks to increase the contingency. Once a tender is secured it is an opportunity for the awarded contractor to suggest design changes which would usually be around material choices, using their building expertise around the buildability of the buildings and landscape which allows Council to build in greater contingency.
- There are only two cross laminated timber (CLT) suppliers within the Australasian market, and to ensure production space an earlier procurement around that specific product was undertaken 5-6 months ago. This has been evaluated and a preferred CLT contractor has been secured to ensure there is factory space for this product. This contractor will be nominated and novated into the main contractor.

- Mr Gillies explained the difference between the Project Control Group, Steering Group and Advisory Board:
 - The Project Control Group is the design team, with expertise and project management the core delivery of the group for the project. They meet monthly to address issues, risks or changes to the project that require a decision at Mr Gillies' delegation.
 - The Steering Group comprises council officers and key decision makers within the organisation. They have a high level of awareness of how the project is progressing. They manage risk protection.
 - The Advisory Board is an endorsement board and are an extra layer around risk protection in relation to the main contract. Any contingencies or variations from the main contractor would have to go to the Board for endorsement or decision making.
- The Project Control Group reports to the Senior Responsible Officer (Jessica Ellerm).
- There will be more disappointed people than happy people with the tender.
- The Chair confirmed he was happy with the procurement plan and probity plan and emphasised the extent of control.
- During the market sounding there were 11 contractors that were asked if they saw any buildability issues or concerns with the project, to have the information included in the design process early; one of these was around cost issues. As part of the procurement process there will be an independent expert from the construction industry to review the documentation and ensure there is technical buildability. The value engineering was undertaken early to have all components together to build in any extra contingency.
- By the end of the year the project will be 90% detailed designed, with the final detailed design available on 25 January 2025.
- Mr Gillies advised that he would circulate the Board's monthly report on strategic programme risk, which is also circulated to the elected members as part of the monthly programme dashboard produced for this project.

**COMMITTEE
RESOLUTION**

Bruce Robertson / Councillor Browne

The Audit and Risk Committee:

- a. **Endorse** Civic Precinct Main Contractor Procurement Approach (Doc Id 1783631).
- b. **Note** The Civic Precinct Main Contractor Probity Plan (Doc Id 1783634).

Carried

2. DRAFT INDEMNITY AND LIABILITY POLICY FOR COUNCIL WORKSHOPS AND MEETINGS

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002, Local Government Information and Meetings Act 1987, Privacy Act 2020
<i>Document ID:</i>	1785685
<i>Reporting Officer/s & Unit:</i>	Anna Eady, Team Leader Governance

2.1 Purpose of Report

To provide the Committee an opportunity for review and input into the draft Indemnity and Liability Policy for Council Workshops and Meetings.

At the meeting

The Team Leader Governance, Ms Eady took the report as read.

In response to questions the following was clarified:

- In regard to “current best practise” Ms Eady advised thorough investigation had been undertaken as to what other councils had in place and utilised some of those policies content in relation to meetings and livestreaming.
 - At the suggestion of the Chair, contact had also been attempted with the Ombudsman’s office to provide input to the Policy, prior to the Council meeting on 26 September 2024. No response had yet been received and Ms Eady would follow up to seek support from the Ombudsman for the policy.
 - Standing Orders during meeting situations will cover a lot of what is in the Policy. The reason for developing the Policy was that the workshop space was less formalised.
 - The Policy covers being able to remove parts of the workshop recording if inappropriate and livestreaming would be dealt with differently through Standing Orders.
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COMMITTEE RESOLUTION

Councillors Crown / Mawson

The Audit and Risk Committee:

- a) **Receive** the report “Draft Indemnity and Liability Policy for Council Workshops and Meetings” (Doc Id 1752204).
 - b) **Recommend** Council adopt the draft Indemnity and Liability Policy for Council Workshops and Meetings with a review date in 12 months.
 - c) **Direct** officers to send copy of the “Liability Policy for Council Workshops and Meetings” to the Ombudsman office to seek support for the proposed Policy.
-

Carried

3. POLICY REVIEW PROCESS UPDATE

Type of Report:	Operational
Legal Reference:	N/A
Document ID:	1781644
Reporting Officer/s & Unit:	JayJay Kettle, EA to Deputy Chief Executive & Executive Director Corporate Services Talía Foster, Financial Controller

3.1 Purpose of Report

To update the committee on the progress made to date with the policy review project.

At the meeting

The Financial Controller, Ms Foster presented the report on behalf of Ms Kettle noting that since May six policy reviews have been approved by the Executive Leadership Team (ELT) and not 19 as stated in the report.

The Executive Director Infrastructure Services, Mr Bond advised that the Key Account Management Policy assisted major developers to interact with key parts of Council in identifying roles in departments to ensure the process is handled in a timely way.

The timeline for the programme of the policy review would be included in the next report to the Committee.

COMMITTEE David Pearson / Mayor Wise

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the report titled “Policy Review Process Update” dated 5 September 2024.

ACTION: *Officers to provide clarity on the workflow and priority process, in relation to the Policy Review System at the next Audit and Risk Committee meeting.*

Carried

4. PROCUREMENT AND CONTRACT MANAGEMENT IMPROVEMENT PLAN

Type of Report:	Information
Legal Reference:	N/A
Document ID:	1777284
Reporting Officer/s & Unit:	Sharon O'Toole, Procurement Manager

4.1 Purpose of Report

The purpose of this report is to outline the improvements intended to address the findings and recommendations from the Internal Audit Report: Contract Management Report 2024, completed by Crowe.

This work will also support the use of procurement and contract management as strategic tools to deliver Council's work programme and asset management.

The initiative has been developed in consultation with the project to establish a Council Enterprise Programme Management Office (EPMO).

At the meeting

The Procurement Manager, Ms O'Toole provided a brief summary of the report in relation to the recommendations by consultants Crowe following an internal audit report. The focus of the Procurement and Contract Management Improvement Plan was to promote operational efficiency, achieve compliance and standardisation.

In response to questions the following was clarified:

- The workstream diagram on page 21 of the agenda was the total programme that would be implemented into the procurement plan within 6-9 months.
- The risk profile for this project will be challenging to deliver in 6-9 months, however the priorities will be delivered.
- A governance group was recommended under the guise of the Business Improvement Group, with three areas of delivery and the risk profile as a priority of the group.
- Work is being undertaken to look at change across the organisation and this is not currently established, however the two will connect.
- The Chief Executive advised that they were trying to balance resources in establishing the Enterprise Programme Management Office (EMPO) which will have some change resource within it. To this end a fixed term consultant may be sought to assist in the process.

COMMITTEE RESOLUTION

Bruce Robertson / David Pearson

The Audit and Risk Committee:

- Approve** the Procurement and Contract Management Improvement Plan.

ACTION: *Officers requested to report back to the next Audit and Risk Committee meeting on the progress of the improvement plan and include any risks that may impact the programme of work being completed.*

Carried

5. ASSET MANAGEMENT ROADMAP PROGRESS

Type of Report: Information

Legal Reference: N/A

Document ID: 1785900

Reporting Officer/s & Unit: Kate Ivicheva, Manager Asset Strategy

5.1 Purpose of Report

This report provides an overview of the key activities and progress towards implementing the Asset Management Roadmap. These initiatives have been progressed by the Asset Strategy team, with the recent establishment of the Asset Management Steering Group set to ensure that the continued delivery of the Roadmap is conducted in a more coordinated and strategic manner.

The report demonstrates the ongoing commitment to enhancing asset management practices, improving data integrity, optimising processes, and ensuring compliance with regulatory requirements.

At the meeting

The Manager of Asset Strategy, Ms Ivicheva, provided a summary of key initiatives aligned to the Asset Management Roadmap during the last eight months, as well as business-as-usual improvements.

In response to questions the following was clarified:

Roadmap Progress

- The roadmap's implementation timeline is slowed by 6 to 9 months due to the limited capacity within the asset teams - partly due to changed priorities and the volume of work associated with the Long Term Plan process. It had previously been identified that the teams could only allocate 10% of their time to implementing improvements on top of the core work budgeted for in the Long Term Plan.
- The Asset Management Steering Group continues to work on the draft of the asset management overview map. Since the teams' asset information needs are different, an organisational map will be produced, providing a consistent approach for assets and data. This will enable a more strategic approach to managing the Council's assets. A commitment has been made to use the Sycle system.

Business as Usual – Continuous Improvement

- The Asset Management Intelligence Team, with the wider Asset Strategy group, have been probing process and workflow impediments across the Depot and Infrastructure Directorates. Service Request System usability was slow, cumbersome and difficult to use. To make navigation easier, a combination of providing enhanced tools, dashboards and training has resulted in direct savings of ~ 134 hours per week /6200 per annum across six teams to be achieved. This, directly and indirectly, results in the attention and delivery of services to enhance.
 - The Asset Strategy team (BAM and AMIT) has made significant progress in developing the asbestos system. A small team has been working on collating and integrating asbestos data from 196 buildings into the new system and revising existing practices.
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**COMMITTEE
RESOLUTION**

Mayor Wise / Councillor Crown

The Audit and Risk Committee:

- a) **Receive** the update on the progress of asset management initiatives **and endorse** the continued implementation of the Asset Management Roadmap.

ACTION: *Direct officers to set out in next report if the roadmap is to be reset as unable to meet the initiatives and assumed direction and outline what is now going to happen. Also attach the core key risks and any uncertainty for the programme to enable the Committee to provide support to the initiatives.*

Carried

6. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

Type of Report:	Information
Legal Reference:	N/A
Document ID:	1782552
Reporting Officer/s & Unit:	Raewyn Fowler, Internal Audit Lead Talia Foster, Financial Controller

6.1 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 Internal Audit Lead, Ms Fowler took the report as read, confirming that all items identified in the report for this quarter complied with Council’s Policy.

**COMMITTEE
RESOLUTION**

Councillor Crown / David Pearson

The Audit and Risk Committee:

- a) **Receive** the 30 June 2024 quarterly report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.

Carried

Councillor Mawson left the meeting at 10.45am

7. INTERNAL AUDIT RECOMMENDATIONS PROGRESS REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1784295
<i>Reporting Officer/s & Unit:</i>	Raewyn Fowler, Internal Audit Lead

7.1 Purpose of Report

The purpose of this report is to provide the Audit and Risk Committee an update on the internal assurance activities each quarter. The report includes information on the current internal audit programme, and progress to date of the recommendations.

At the meeting

The Internal Audit Lead, Ms Fowler took the report as read which included the key achievements for the last quarter, what is planned for the next quarter and any issues that may be faced during the completion of the Annual Report.

Councillor Mawson rejoined the meeting at 10.49am

In response to questions the following was clarified:

- The Learning Management System (LMS) will be received in the near future and the development of the content will be undertaken by the People and Capabilities team with delivery within the next quarter.
- Delay in the delivery of the system has been due to changes in the People and Capabilities team.
- Initially the LMS was to have been delivered in October, however the delay may be 3-6 months before it is ready to be launched and used for onboarding, inductions and records management.

COMMITTEE Bruce Robertson / Councillor Browne

RESOLUTION

The Audit and Risk Committee:

- a. **Receive** the Internal Audit Recommendations Progress Report dated 5 September 2024

Carried

Mayor Wise left the meeting at 10.54am

8. EXTERNAL AUDIT ACTIONS STATUS UPDATE

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1786614
<i>Reporting Officer/s & Unit:</i>	Talia Foster, Financial Controller

8.1 Purpose of Report

The purpose of this paper is to summarise the actions taken by management from recommendations made via our external audit process to provide assurance to the Audit and Risk Committee that these have been addressed.

At the meeting

The Financial Controller, Ms Foster took the report as read.

Mayor Wise rejoined the meeting at 10.58am

Ms Foster highlighted the recommendation on attendance and resolution times performance measure where there were potentially further issues and officers were working with Audit New Zealand on further testing and the issues being overcome.

Ms Young confirmed that Council is making progress in the areas where recommendations were made. She had seen the report from the valuer on the inventory water stocktakes and the above ground assets which had been very positive.

In regard to the attendance issues Ms Young advised that they had identified a classification and accuracy issue and it appeared there were further errors in the data.

COMMITTEE Bruce Robertson / David Pearson

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** this report titled "External Audit Actions Status Update".

Carried

9. RISK MANAGEMENT REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1786241
<i>Reporting Officer/s & Unit:</i>	Dave Jordison, Risk and Assurance Lead Alister Edie, Business Improvement Manager

9.1 Purpose of Report

To update the Committee on risk management workstreams and inform on the status of Council's strategic and operational risk profile and any emerging risks.

At the meeting

The Risk and Assurance Lead, Mr Jordison spoke to the report providing a brief summary of the current risk management framework, developments and workstreams which are underway, which was based on the uplift programme.

In response to questions the following was clarified:

- The ELT acknowledged through the process that there are too many risks and they are not focussed on strategic risk.
- The Committee could assist ELT in discussing the risk profile and working with uncertainties for the next 15 months.
- Mr Edie advised that the key understanding of the strategic risk dashboard is what the objectives are for each of those strategic risks. There are some new risks and at this stage it is not known what the objectives are to align with the risks.
- The strategic risks were compiled with elected members in a workshop by PWC and the intent of them is not always known by officers. A further workshop will be held with elected members and ELT on strategic risks to identify the intent and objectives.
- The risk appetite was also identified at the previous PWC workshop.
- There is a global emerging risk of Monkey Pox and understanding the method of transmission of the disease.
- Ms Bailey advised that Council were currently an interested party in the coroner's enquiry into the deaths during Cyclone Gabrielle. The process is currently in the scoping phase and Council will be making submissions on the scope to the Coroner jointly with Central Hawke's Bay District Council and Hastings District Council.

COMMITTEE RESOLUTION

Mayor Wise / Councillor Crown

The Audit and Risk Committee:

- Receive** the report titled "Risk Management Report" dated 5 September 2024.

Carried

10. HEALTH AND SAFETY REPORT

Type of Report: Information

Legal Reference: N/A

Document ID: 1786472

Reporting Officer/s & Unit: Jill Coyle, Chief People Operations Officer

10.1 Purpose of Report

To inform the Audit & Risk Committee (ARC) of Health Safety & Wellbeing (HSW) strategic progress, performance and activities covering the period June 2024 to 20 August 2024. The report enables the ARC to provide assurance to Council for the capability and functioning of Council's health, safety and wellbeing hazard and risk management system and associated programme.

At the meeting

The Acting City Services Director, Ms Ellerm on behalf of Ms Coyle presented the report providing a brief summary and overview of Health and Safety activity risks, and the progress of initiatives underway to improve health, safety, and wellbeing. There has been an improvement in the maturity of reporting within the organisation and presentation of the Health and Safety Committees contribution has also improved.

It was noted that a number of risks that are not currently included in the Sycle Register would be inputted as soon as time permitted as a priority.

COMMITTEE Councillors Mawson / Crown

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the Health and Safety Report for the quarter ended 20 August 2024.

Carried

Minor matters

There were no matter to discuss.

RESOLUTION TO EXCLUDE THE PUBLIC

Bruce Robertson / Councillor Mawson

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

1. Chief Executive - Verbal Update
2. Audit New Zealand - Verbal Update

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. Chief Executive - Verbal Update	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.
2. Audit New Zealand - Verbal Update	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.
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The meeting adjourned at 11.32am and reconvened in Public Excluded at 11.50am

The meeting closed with a karakia at 12.10pm

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

Chairperson

Date of approval