



AUDIT AND RISK COMMITTEE

Open Minutes

Meeting Date: Thursday 4 April 2024

Time: 9.30am – 12.05pm (*Open*)
12.07pm to 12.23pm (*Public Excluded*)

Venue Breakout Room 2
War Memorial Centre
Marine Parade
Napier

Audio-visually recorded for Council website

Present **Chair:** Bruce Robertson
Members: Mayor Kirsten Wise, David Pearson, Councillor Sally Crown (Deputy Chair) Councillor Greg Mawson and Councillor Hayley Browne
Ngā Mānukanuka o te Iwi representative - Joe Tareha

In Attendance Chief Executive (Louise Miller)
Deputy Chief Executive (Jessica Ellerm)
Acting Executive Director Corporate Services (Caroline Thomson)
Acting Chief Financial Officer (Talia Foster)
Internal Audit Lead (Raewyn Fowler)
Health, Safety and Wellbeing Lead (Adam McDonald)
Team Leader Governance (Anna Eady)
Audit New Zealand (Karen Young)

Administration Governance Advisors (Carolyn Hunt and Jemma McDade)

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 Chairperson

The Chair advised that today's Audit and Risk Committee meeting, and future meetings, would be audio-visually recorded and at the conclusion of the meeting uploaded to Council's website meetings page for the public to view.

Announcements by the management

Nil

Confirmation of minutes

Bruce Robertson / Councillor Crown

That the Minutes of the Audit and Risk Committee meeting held on 13 December 2023 were taken as a true and accurate record of the meeting.

Carried

- Progress of the Asset Management Roadmap and implementation to be reported back at the 14 June 2024 Audit and Risk Committee meeting.

AGENDA ITEMS

1. OMBUDSMAN REPORT - COUNCIL MEETING AND WORKSHOP SETTING AMENDMENTS

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Official Information and Meetings Act 1987
<i>Document ID:</i>	1745863
<i>Reporting Officer/s & Unit:</i>	Anna Eady, Team Leader Governance

1.1 Purpose of Report

In October 2023 the Ombudsman released a report “Open for Business”, which followed an investigation into local council meetings and workshops. This report will set out our proposed improvement programme and the Council direction to meet the Ombudsman’s key recommendations.

At the meeting

The Team Leader Governance, Ms Eady spoke to the report and highlighted to the Committee whether it considered that Napier City Council (NCC) should have an indemnity and liability Policy in regard to making public recordings of workshops on the NCC website.

In response to questions the following was clarified:

- The Ombudsman’s request that a plain English explanation in reasonable detail to exclude the public will require some adjustment to Council’s agenda creation system (Infocouncil). Currently officers can select an Act and reason for exclusion and it is intended that plain English reasons also be included.
 - Officers will need to provide Governance good reason to withhold information and weigh it against public interest.
 - Ombudsman virtual training for staff and elected members will be held on 9 April 2024 which will assist officers and elected members in the understanding of valid reasons for withholding information.
 - A dedicated page on the Council website is to be created that will list the workshops, whether they are public excluded and the reason, or if they are open to the public.
 - Workshop guidelines are currently being drafted to assist Chairs on how to manage workshops and it is anticipated they will be available as soon as possible, with the Ombudsman training supporting this work. Minutes of workshops would be a summary of key points and actions rather than detailed meeting minutes.
 - Audio-visual recordings of workshops would be uploaded to a YouTube channel.
 - Full costs of the activity are hard to predict. John Norris, Engage Video, who livestreams Council/Committee meetings advised that running workshops following meetings did not increase the cost.
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- The cost for his services would be the same for transcripts as the cost relates to licenses for Teams or Zoom links and microphone set up required to capture conversation.
- Ideally workshops would be scheduled after Council/Committee meetings to keep costs down. However, on the days that were not meeting days officers would record through a zoom link, and upload the recording to the workshop page on Council's website.
- There are tools already in use to provide a solution around the release of public excluded information, for example through the Action Register reported to Council
- It was noted that the timetable for implementation had been adopted by Council at its meeting on 14 March 2024.

COMMITTEE David Pearson / Councillor Browne
RESOLUTION

The Audit and Risk Committee:

- Receive** the report titled Ombudsman Report – Council Meeting and Workshop setting amendments.
- Note** officers have undertaken an assessment of Napier City Council's current practices in relation to the Ombudsman's *Open for Business* report and will make improvements to these practices.
- Note** open Audit and Risk Committee meetings will be recorded and published on the Napier City Council website.

Carried

2. HEALTH AND SAFETY REPORT

Type of Report:	Information
Legal Reference:	N/A
Document ID:	1722342
Reporting Officer/s & Unit:	Adam McDonald, Health, Safety and Wellbeing Lead

2.1 Purpose of Report

The purpose of this report is to provide the Audit & Risk Committee (ARC) an overview of Health Safety & Wellbeing (HSW) activity, inform on the progress of initiatives underway to improve health, safety, and wellbeing, as well as key performance indicators covering the period December 2023 through to February 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 programmes.

At the meeting

The Health, Safety and Wellbeing Lead, Mr McDonald spoke to the report, providing a brief summary and overview of Health and Safety activity risks, progress of initiatives underway

to improve health, safety, and wellbeing, as well as current key performance indicators covering the period December 2023 to February 2024.

In response to questions the following was clarified:

- The Employee Assistance Programme (EAP) reports seeing pressures, outside of work impacting on the workplace. Work specific issues were not identified as a reason for staff engaging with the EAP.
- Well-being programme developed going forward as the organisation supports staff, no matter the origin of the stress or anxiety, so they can be the best version of themselves at work.
- Future reporting on EAP will not be through numbers it will be how to effect organisational change and focus more on wellbeing. Work is being undertaken on what challenges people are facing so programmes can target what is needed to improve their well-being..
- A Health and Safety Improvement Plan had now been developed and approved by the Executive Leadership Team (ELT). The Health and Safety Team, together with the People and Capability Team, are working on culture change management and promoting the changes.
- The actions integrated into the Implementation Plan will require a programme to monitor the results.

COMMITTEE Mayor Wise / Councillor Crown

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the Health and Safety Report for the period December 2023 to February 2024.

Carried

*The meeting adjourned for morning tea at 10.33am
and reconvened at 10.50am*

3. RISK MANAGEMENT REPORT

Type of Report: Operational

Legal Reference: N/A

Document ID: 1744348

Reporting Officer/s & Unit: Dave Jordison, Risk and Assurance Lead
Alister Edie, Business Improvement Manager

3.1 Purpose of Report

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

At the meeting

The Business Improvement Manager, Mr Edie spoke to the revised report that was circulated, which included minor updates in the summary section and the inclusion of a table of revised operational risks. Mr Edie provided a brief summary of the current risk management framework, some developments and workstreams underway.

In response to questions the following was clarified:

- A review of the strategic risks is to be undertaken and will align to the Long Term Plan (LTP). Council's strategic priorities have been reset by elected members and consultation on the 3 year LTP is underway and to be reported back at the next meeting.
- Asbestos risk is extreme and does not comply with the Act. An urgent project is underway to address this, and will be completed within two weeks. The programme needs to be in place to reduce the risk rating.
- Introduction of a housekeeping programme to regularise and formalise how the organisation is addressing risks and to understand the systems that management are using to monitor risks.
- A review of the system is currently underway through an internal audit. It was noted at the meeting that it would be beneficial for the Committee to meet with internal auditors Crowe.

COMMITTEE David Pearson / Councillor Browne

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the report titled "Risk Management Report" dated 4 April 2024.

Carried

4. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

<i>Type of Report:</i>	Procedural
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1742723
<i>Reporting Officer/s & Unit:</i>	Raewyn Fowler, Internal Audit Lead Talia Foster, Financial Controller

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 Internal Audit Lead, Ms Fowler took the report as read and confirmed that items identified in the report for this quarter complied with Council's Sensitive Expenditure Policy.

COMMITTEE Councillor Mawson / Joe Tareha

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the 31 December 2023 quarterly report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.

Carried

5. INTERNAL AUDIT RECOMMENDATIONS PROGRESS REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1742724
<i>Reporting Officer/s & Unit:</i>	Raewyn Fowler, Internal Audit Lead

5.1 Purpose of Report

The purpose of this report is to provide the Committee with a summary of the internal audit recommendations progress to date.

At the meeting

The Internal Audit Lead, Mrs Fowler spoke to the report which was an update on internal progress, and noted that another internal audit had been undertaken during that period for PAYE and withholding tax which was also included in the report.

The Financial Controller, Ms Foster spoke to the PWC report advising there were issues identified in actioning some items due to lack of resource in payroll, People and Capability and Procurement teams.

In response to questions the following was clarified:

- In regards to the records management that dates back to 2021, with 13 outstanding recommendations it is understood that once the SharePoint system and learning management system are up and running well these may be ticked off.
 - A conscious pause has been implemented in the transition to new technology planned for in Council's digital transformation Strategy. The Digital Strategy priorities have been reviewed and over the next 3-5 years a learning management tool will be implemented first, followed by a Human Resources tool.
 - The outstanding recommendations have been reviewed and slowing implementing the recommendations has a low risk level.
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- When considering the recommendations officers can explore whether they can be addressed through other strategies or if they can be achieved through other control mechanisms. Recommendations made by the Auditor can be challenged and if agreed with, ranked in order of priority .
 - The risk that Council are not complying with PAYE is considered low, however withholding tax is more problematic. There is not considered to be a financial liability but processes do need to be reviewed.
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COMMITTEE Bruce Robertson / Councillor Crown

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the Internal Audit Recommendations Progress Report dated 4 April 2024.

Carried

6. POLICY REVIEW PROCESS UPDATE

Type of Report: Operational

Legal Reference: N/A

Document ID: 1701124

Reporting Officer/s & Unit: Talia Foster, Financial Controller

Caroline Thomson, Chief Financial Officer

6.1 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 spoke to the report which was a result of some recommendations from internal and external auditors and there was some concern from the Committee that some policies were not up-to-date.

In response to questions the following was clarified:

- Although the majority of policies were out of date, even though recently, the fact that they had not been reviewed did not mean they were no longer relevant. The process in place currently is that policies are going to the ELT monthly, with 3-5 being addressed at each meeting.
 - It was noted that other policies (Code of Conduct for Employees Policy, Confidentiality Policy, Drug and Alcohol Policy and Workplace Bullying Policy) which were considered high importance or high risk were not included in the upcoming quarter. The important thing to note is whether they were still adequate even if they were out-of-date.
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- The Workplace Bullying Policy was currently under development by the People and Capabilities Team.
 - The policies that are crucial for audit are in People and Capability and Finance. This puts a lot of work on those two teams to get the policies reviewed and completed, which is why they cannot all be finalised within the timeframe.
 - An Acting Chief People Officer has been appointed and Ms Ellerm will work with her to try and progress these policies.
 - For future reporting the policy review dates are to be included for reference.
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COMMITTEE Councillor Mawson / Mayor Wise

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the report titled “Policy Review Process Update” dated 4 April 2024.
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Carried

Councillor Brown withdrew from the meeting at 11.40am

7. EXTERNAL AUDIT ACTIONS STATUS UPDATE

Type of Report: Information

Legal Reference: N/A

Document ID: 1742734

Reporting Officer/s & Unit: Talia Foster, Financial Controller

7.1 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 spoke to the report on what progress had been made on actions.

In response to questions the following was clarified:

- Ms Foster confirmed that the \$1m figure referred to in the actions to approve operating expenditure in excess of \$1m was now out-of-date. While a process is in place to ensure Council have approved spend over the CE delegation before payments are made, this needs to be put in writing.

It was noted that there were some high leave balances and staff would be encouraged to take leave as a preference or cash it up.

Councillor Browne rejoined the meeting at 11.45am

COMMITTEE	Councillor Crown / David Pearson
RESOLUTION	The Audit and Risk Committee: a) Receive the report titled “External Audit Status Update” dated 4 October 2024.
	Carried

8. AUDIT PLAN FOR 2023/24 ANNUAL REPORT

<i>Type of Report:</i>	Enter Significance of Report
<i>Legal Reference:</i>	Enter Legal Reference
<i>Document ID:</i>	1742735
<i>Reporting Officer/s & Unit:</i>	Talia Foster, Financial Controller

8.1 Purpose of Report

To provide delegation to the Chair to approve the Audit Plan for the 2023/24 Annual Report in consultation with the Chief Executive.

At the meeting

The Financial Controller, Ms Foster spoke to the Audit Plan for the upcoming Annual Report for the year end 30 June 2024. There are auditors on site currently for an interim audit with nothing unusual or unexpected in the Audit Plan.

The Chair invited auditor Karen Young’s comments. Ms Young confirmed that everyone worked well together last year with really good co-operation and assistance with good headway made in the revaluations.

In response to questions the following was clarified:

- In regard to the attendance and resolution times, the qualification will remain due to the comparatives, officers are confident that a lot of work has been done in this area but it is still to be verified.
- Ms Young confirmed that if systems and processes were only put in place midway through the year they would not be cleared. Processes implemented from 1 July would be clear going forward. Updates undertaken for the IT system were done by 1 July so the system has been in place for a year. Training took place throughout the year and QA processes have gone back to the beginning of the year.
- Council’s materiality worked to before draft accounts are provided to audit typically for year end is \$5,000-\$10,000 for accruals on a transaction level while exercising professional judgement. Where aware of any errors or adjustments required at that level they will be corrected or advise audit of the issue. The workload required versus the value add needs to be balanced.
- Ms Foster confirmed that she was very comfortable that 30 October 2024 was achievable for the Annual Report and did not anticipate any issues.
- Ms Young advised the reason the audit letter was in draft was in regard to performance measures. Audit have received some guidance around the Drinking Water Performance Measures from the Auditor General’s Office which the Department of

Internal Affairs have communicated to them and the letter will be able to finalised in the very near future.

COMMITTEE Bruce Robertson / David Pearson

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the report titled "Audit Plan for 2023/24 Annual Report" dated 4 April 2024.
- b) **Delegate** authority to the Chair and the Chief Executive to approve the Audit Plan for the 2023/24 Annual Report on behalf of the Audit and Risk Committee (Doc Id 1746445).

Carried

9. AUDIT NEW ZEALAND MANAGEMENT REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	1742736
<i>Reporting Officer/s & Unit:</i>	Talia Foster, Financial Controller

9.1 Purpose of Report

To consider the Audit NZ management report to the Council on the audit of Napier City Council for the year ended 30 June 2023.

At the meeting

The Financial Controller, Ms Foster spoke to the Audit New Zealand Management report for the year ended 30 June 2023 that was adopted at the end of last year. Council received a Qualified Opinion and the report provides some further recommendations and actions that will be reported back to the Committee in the future.

Ms Young commented that it was a very busy and challenging year for the Council and there was only one new recommendation to ensure the good condition of above ground water assets, and that the register is complete and has integrity. Otherwise it was a very good result and Council management and staff should be very proud of what they achieved last year.

The Committee confirmed that they were comfortable with the recommendations, management responses and timelines for completion.

COMMITTEE Bruce Robertson / Councillor Crown

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the Audit NZ management report to the Council on the audit of Napier City Council for the year ended 30 June 2023 (Doc Id 1745793).

Carried

Minor matters

There were no minor matters to discuss.

RESOLUTION TO EXCLUDE THE PUBLIC

Councillors Mawson / Crown

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

1. Verbal Update Chief Executive

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. Verbal Update Chief Executive	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.

The meeting adjourned at 12.05pm and reconvened in Public Excluded at 12.07pm

The meeting closed with a karakia at 12.23pm

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

Chairperson

Date of approval