



AUDIT AND RISK COMMITTEE

Open Minutes

Meeting Date: Friday 14 June 2024

Time: 9.30am - 10.46am *Open*
11.00am - 11.18am *(Public Excluded)*
11.20am - 11.41am *(Open)*

Venue Breakout Room 1
War Memorial Centre
Marine Parade
Napier

Audio-visually recorded for Council website

Present **Chair:** Bruce Robertson
Members: David Pearson, Councillor Sally Crown (Deputy Chair) and Councillor Greg Mawson

In Attendance Chief Executive (Louise Miller) [via Zoom]
Deputy Chief Executive / Executive Director Corporate Services (Jessica Ellerm)
Chief Financial Officer (Caroline Thomson)
Financial Controller (Talia Foster)
Audit New Zealand (Karen Young)
Senior Health and Safety Advisor (Andrew Wallace)
Health, Safety and Wellbeing Lead (Adam McDonald) [via Zoom]
Business Improvement Manager (Alister Edie) [via Zoom]
Acting Chief People Officer (Jill Coyle) [via Zoom]
Mark Cervantes, Crowe [via Zoom]

Administration Governance Advisors (Carolyn Hunt and Jemma McDade)

AUDIT AND RISK COMMITTEE – Open Minutes

TABLE OF CONTENTS

Order of Business	Page No.
Karakia.....	3
Apologies	3
Conflicts of interest.....	3
Public forum.....	3
Announcements by the Chairperson.....	3
Announcements by the management	3
Confirmation of minutes	3
Minor Matter	3
Agenda Items	
1. Internal Audit Recommendations Progress Report.....	4
2. Sensitive Expenditure - Mayor and Chief Executive	4
4. Policy review process update	5
5. External Audit actions status update	6
6. Health and Safety Report	6
7. Risk Management Report.....	8
Minor matters.....	10
Asset Management Roadmap addressed at the beginning of the meeting.....	10
Resolution to Exclude the Public	10
3. Internal Audit: Contract Management Report.....	11

ORDER OF BUSINESS

Karakia

The meeting opened with the Council karakia.

Apologies

Bruce Robertson / Councillor Mawson

That the apologies for absence from Mayor Wise and Councillor Browne be accepted.

Carried

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Chairperson

Nil

Announcements by the management

Nil

Confirmation of minutes

Bruce Robertson / David Pearson

That the Minutes of the Audit and Risk Committee meeting held on 4 April 2024 were taken as a true and accurate record of the meeting.

Carried

The Chair referred to Item 8 recommendation (b) for the Audit Plan for 2023/24 Annual Report in the Minutes of the meeting held 4 April 2024 as below and would arrange approval with the Chief Executive.

- 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).

Minor Matter

ASSET MANAGEMENT ROADMAP

ACTION Officers to prepare an update on the Asset Management Roadmap for the next Audit and Risk Committee meeting to be held on 5 September 2024.

AGENDA ITEMS

1. INTERNAL AUDIT RECOMMENDATIONS PROGRESS REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1756765
<i>Reporting Officer/s & Unit:</i>	Raewyn Fowler, Internal Audit Lead

1.1 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 Financial Controller, Ms Foster took the report as read advising that good progress was being made on the agreed management actions.

Prioritisation of the work programme was undertaken by the Manager based on risk, with high risk prioritised first, however some lower/quicker actions will be undertaken sooner as these are often quick wins which require less resource to deliver.

The four key internal audit matters that have outstanding actions (Building and Resource Consents; Sensitive Expenditure; Records Management and PAYE & WHT) were prioritised with the PAYE action rated with the highest priority and good progress on completing has occurred. Corporate compliance risks are considered high and need to be addressed quickly.

Follow up with contractors who have been given access to Council records and information to ensure it has been returned.

COMMITTEE Councillors Crown / Mawson

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the Internal Audit Recommendations Progress Report.

Carried

2. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

<i>Type of Report:</i>	Procedural
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1756766

Reporting Officer/s & Unit: Raewyn Fowler, Internal Audit Lead
Talia Foster, Financial Controller

2.1 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 Financial Controller, Ms Foster took the report as read confirming that all items identified in the report for this quarter complied with Council's policy.

COMMITTEE Bruce Robertson / Councillor Mawson
RESOLUTION

The Audit and Risk Committee:

- a. **Receive** the 31 March 2024 quarterly report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.

Carried

Item 3 would be addressed later in the meeting to enable Mark Cervantes of Crowe to join the meeting via Zoom.

4. POLICY REVIEW PROCESS UPDATE

Type of Report: Operational

Legal Reference: N/A

Document ID: 1756764

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

4.1 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 advising that since the last meeting four policies had been approved (Gifts and Gratuities; Travel; Koha and 2024 Elected Members Expenses).

It was noted that a further five policies (Credit Card; Sensitive Expenditure; Payment Policy; Complaints and Pressure Sewer) would be presented to the Executive Leadership Team (ELT) later in June 2024 and would be reported back to the Committee at the next meeting.

**COMMITTEE
RESOLUTION**

Bruce Robertson / David Pearson

The Audit and Risk Committee:

- a. **Receive** the report titled "Policy Review Process Update" dated 14 June 2024.

Carried

5. EXTERNAL AUDIT ACTIONS STATUS UPDATE

Type of Report: Information

Legal Reference: N/A

Document ID: 1762046

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

5.1 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 advising that good progress was being made.

Ms Young advised that she would be reviewing the Audit Plan list in the near future and would provide an update at the next meeting.

**COMMITTEE
RESOLUTION**

Councillor Mawson / David Pearson

The Audit and Risk Committee:

- a. **Receive** this report titled "External Audit Actions Status Update" dated 14 June 2024.

Carried

6. HEALTH AND SAFETY REPORT

Type of Report: Information

Legal Reference: N/A

Document ID: 1762676

Reporting Officer/s & Unit: Adam McDonald, Health, Safety and Wellbeing Lead

6.1 Purpose of Report

To inform the Audit & Risk Committee (ARC) of Health Safety & Wellbeing (HSW) strategic progress, performance and activities covering the period March 2024 to May 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 Senior Health and Safety Advisor, Mr Wallace 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 March 2024 to May 2024.

In response to questions the following was clarified:

- In regard to the incident with the contractor they did have a Site Specific Safety Plan for the job which had been reviewed by officers before commencement. The project was being project managed on behalf of Council by Beca and advice at a pre-site meeting had been they would only have licensed operators on site. However this was not the case.
- Prior to the incident, Officers have been working with Council's 3 Waters Team and Projects Team on how better control over contractors on high risk projects could be achieved. In the Mysafety Assurance system there are hints that they can provide to contractors to ensure they understand what is expected of them.
- WorkSafe is locally based with four officers in Napier.
- Mr McDonald is developing a Strategic Wellbeing Strategy to identify critical risk in the Health and Safety area. Good progress is being made on the implementation of the Improvement Plan.
- It is proposed that the overall Wellbeing Strategy will be completed this month and will be delivered to ELT by Mr Mcdonald by the end of June 2024. There is funding in Year 1 of the 3 Year Plan for its implementation. Completion of the plan is expected over the next six to twelve months.
- A system is being implemented that will improve reporting and data collection that will reflect accurately what is happening in the organisation.

COMMITTEE Bruce Robertson / Councillor Crown
RESOLUTION

The Audit and Risk Committee:

- a. **Receive** the Health and Safety Report for the period March 2024 to May 2024.

Carried

7. RISK MANAGEMENT REPORT

Type of Report: Operational

Legal Reference: N/A

Document ID: 1756767

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

7.1 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 Business Improvement Manager, Mr Edie spoke to the report providing a brief summary of the current risk management framework, some developments and workstreams underway. Tabled at the meeting and attached to the minutes (Doc Id 1769201) was a dashboard review of Council's Strategic Risks for approval by the Committee.

The uplift programme has been drafted to improve the management of the risk framework and sought the Committee's support on the categories.

The meeting acknowledged the efforts of the ELT and officers on the improvement in the risk reporting.

The following points were highlighted:

- Most of the strategic risks align to the current risks, with a couple of new ones included being security and privacy information and the Council Reputational risk which will cover metrics such as the CouncilMark report and satisfaction surveys.
 - The Committee noted Strategic Risk 6 - Failing to meet Te Tiriti o Waitangi commitments and obligations from a legislative perspective should sit with the Chief Executive and not the Pou Whakarae.
 - The leadership coming through is to be commended and this will encourage good progress to be made.
 - The strategic risks will be presented to all of Council as it is important they review and approve them.
 - The Uplift Programme needs to include the role of governors and where they fit in the risk framework. A discussion is required regarding risk appetite and what needs to be managed and affirmed by Council.
 - The Committee were happy with the Uplift Programme and risk categorisation, acknowledging there could be a tweak once the Crowe risk maturity report is received.
 - Training has been developed for the Audit and Risk Committee, ELT and managers to provide understanding of their responsibility and risk management, which is a key piece of the Uplift Programme.
 - It was agreed that Strategic Risk 5 "Funding and financial management" be changed to "Sustainable Financial Strategy".
 - The Uplift Programme is primarily focused on below the governance level.
-

- The strategic risks need to be addressed with what has been adopted in the 3 Year Plan objectives, as they are the most critical items that need to be achieved with the strategic risks aligned.
- A meeting with Council to discuss Council Reputation and risk appetite focusing on why the strategic risks are the ones governors and the Audit & Risk Committee should be addressing.
- The Committee agreed to add a standing agenda item for future meetings, to understand how management is embedded and to support ELT in their deep dives.

**COMMITTEE
RESOLUTION**

Bruce Robertson / Councillor Crown

The Audit and Risk Committee:

- Receive** the report titled “Risk Management Report” dated 16 June 2024.
- Approve** Council’s updated list of strategic risks as below:

New Strategic Risk	Risk Owner	Strategic
	Priority Link	
1. People & Capability	All of ELT = Louise Miller - Chief Executive	A resilient City, financially sustainable Council, General
2. Not enabling our communities to become resilient	Thunes Cloete - Executive Director Community Services	A resilient city
3. Failure to plan for, develop and maintain sound infrastructure	Russell Bond - Executive Director Infrastructure Services	A resilient City, financially sustainable Council
4. Work Health & Safety - failure to maintain a safe and healthy workplace and safe systems of work	Louise Miller - Chief Executive	General
5. Sustainable Financial Strategy	Jessica Ellerm - Deputy Chief Executive / Executive Director Corporate Services	Financially sustainable Council
6. Failing to meet Te Tiriti o Waitangi commitments and obligations	Morehu Te Tomo - Pou Whakarae	Nurturing authentic relationships, Places and spaces for all
7. Effectiveness of Emergency Management	Thunes Cloete - Executive Director Community Services	A resilient City, financially sustainable Council
8. Climate Change	Rachael Bailey - Executive Director City Strategy	A resilient City, financially sustainable Council
9. Impact of external change and reform	Rachael Bailey - Executive Director City Strategy	General, A resilient city

10. Security and Privacy of Data and Information	Jessica Ellerm - Deputy Chief Executive / Executive Director Corporate Services	General
11. Delivery of programmes and change	Rachael Bailey - Executive Director City Strategy	General
12. Council Reputation	Louise Miller - Chief Executive	General

- c. **Support** the draft risk management uplift programme.
- d. **Acknowledge** and thank the Executive Leadership Team and officers for the work undertaken on risk management and the development of the uplift programme.

Carried

Minor matters

Asset Management Roadmap addressed at the beginning of the meeting.

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. Verbal Update Chief Executive
2. Severance Pay Recommendations 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.
--	--	--

<p>1. Verbal Update Chief Executive</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>
<p>2. Severance Pay Recommendations Update</p>	<p>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</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 adjourned at 10.46am and reconvened at 11.00am in Public Excluded.

The meeting further reconvened at 11.18am in Open to address Item 3 below

3. INTERNAL AUDIT: CONTRACT MANAGEMENT REPORT

<p>Type of Report:</p>	<p>Operational</p>
<p>Legal Reference:</p>	<p>Local Government Act 2002</p>
<p>Document ID:</p>	<p>1760996</p>
<p>Reporting Officer/s & Unit:</p>	<p>Raewyn Fowler, Internal Audit Lead Sharon O'Toole, Procurement Manager</p>

3.1 Purpose of Report

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

At the meeting

The Procurement Manager, Ms O'Toole spoke to the report providing an overview of the internal audit undertaken and the eleven risks identified. A Procurement and Management Improvement Plan has been drafted and will be presented to ELT for approval on 18 June 2024 to ensure priorities, funding and resourcing are available. It is intended to report back to the Committee at the September meeting.

The Committee had a positive response to the report and the recommendation of the development of an improvement plan.

Mr Cervantes joined the meeting at 11.30am via zoom.

Mr Cervantes highlighted the following:

- The key risks identified in particular were: contract management strategy to be developed, framework document needs to be up-to-date in accordance with the audit and enforcement of financial delegations.
- Management agree to have an overarching contract management strategy, as well as to get the policies and procedures up-to-date and enforced.
- Management responses overall have met the satisfaction of the internal auditor.
- The Risk Management Audit being undertaken to be reported back at the next meeting in September 2024.

COMMITTEE RESOLUTION

Bruce Robertson / David Pearson

The Audit and Risk Committee:

- a. **Receive** the report from Crowe titled 'Internal Audit – Contract Management'.
- b. **Endorse** actions of management to prepare and consider a Procurement and Management Improvement Plan.

Carried

The Chair requested that a standing verbal report be included on future Audit and Risk Committee agendas for Karen Young, Audit New Zealand to provide an update to the Committee.

The meeting closed with a karakia at 11.41am

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

Chairperson

Date of approval

NCC Strategic Risk Dashboard

Objective:
We need to ensure...



Enabling place and spaces where everyone wants to be
Trust, confidence and continuing social license to operate...
...from our communities, mana whenua, partners and stakeholders...
...resulting from our work and impact as Napier City Council

Success:
Success looks like ...

A. We understand the expectations and needs of the community we serve and our plans meet community needs
The extent to which we appropriately identify what is expected of us, and our plans balance competing expectations in line with our resources available

B. We deliver on the commitments we make
The extent to which we do what we promise to do, to an acceptable standard and timeframe

C. We keep our community safe and resilient through the work we do
The extent to which we enhance the wellbeing and resilience of the community we serve and prevent harm through the work we do

D. We forge effective relationships with mana whenua and uphold the principles of the treaty of Waitangi in all that we do
The extent to which we bring to life meaningful and trusted relationships through embedding the principle of Waitangi in our work

Morehu Te Tamo

... resulting in...

Places and spaces for all
Our city is accessible - everyone feels safe - our city is vibrant - it is easy to get around - we celebrate our heritage

A great visitor destination
We celebrate heritage and culture - our own facilities are world class - we enable external investment - we attract visitors to Napier

A resilient city
Our infrastructure is resilient - Council is prepared for future emergency events - Napier has lifelines - We are prepared for a changing climate future - our people are connected

Financially sustainable council
We invest wisely - keep rates affordable - operate efficiently and effectively

Nurturing authentic relationships
We foster our partnership with Maori - communication and engagement with our community is key - we have meaningful relationships with stakeholders including central government

Risks/Uncertainty:

Major areas of uncertainty associated with our role, activities and commitments are...

1. People and capability

Louise Miller

2. Not enabling our communities to become resilient

Thunes Cloete

3. Failure to plan for, develop and maintain sound infrastructure

Russell Bond

4. Work Health & Safety - failure to maintain a safe and healthy workplace and safe systems of work

Louise Miller

5. Funding and financial management

Jessica Ellem

6. Failing to meet Te Tiriti O Waitangi commitments and obligations

Morehu Te Tamo

7. Effectiveness of emergency management

Thunes Cloete

8. Climate Change

Rachael Bailey

9. Impact of external change and reform

Rachael Bailey

10. Security, integrity and privacy of data and information

Jessica Ellem

11. Delivery of programmes and change

Rachael Bailey

12. Council reputation

Louise Miller

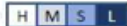
Key:

High confidence



High concern

High alignment



Low alignment

ELT Accountability