

# Audit & Risk Committee

## Open Minutes



Minutes of a meeting of Audit & Risk Committee held in the Council Chambers, 35 Kenrick Street, TE AROHA on Tuesday 26 June 2018 at 10:00am.

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## Present

<b>Chairperson</b>	Hon. John Luxton	
	Mayor Janet E Barnes, JP	Cr James Sainsbury
	Cr Neil Goodger	Cr Ash Tanner
	Cr Brian Hunter	Cr James Thomas, JP

## Apologies

## Also Present

		<b>Item No.</b>
Don McLeod	Chief Executive Officer	
Vicky Oosthoek	Committee Secretary	
Sandra Harris	Acting Strategic Policy Manager	6.1, 6.2, 6.3, 6.4, 6.5, 6.6
Larnia Weir	Deputy Finance Manager	6.1, 6.2, 6.3, 6.4, 6.5, 6.6
Danny Anglesey	Finance and Business Service Manager	6.1, 6.2, 6.3, 6.4, 6.5, 6.6
Manaia Te Wiata	Group Manager Business Support	6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.12, 6.13
Kelly Reith	Human Resources Manager	6.3, 6.4
Niall Baker	Acting Senior Policy Planner	6.5, 6.6
Fiona Vessey	Group Manager Service Delivery	6.8, 6.9, 6.10
Shaun Hodson	Water and Wastewater Management Support (AMBI Consultant)	6.9
Amy Pollock	Procurement Officer	6.10
Dennis Bellamy	Group Manager Community Development	6.11
Norm Barton	Building Control Manager	6.11

## In Attendance

	<b>Time In</b>	<b>Time Out</b>
Ben Halford, Audit New Zealand	10.00am	12.15pm

**1 Meeting Opening**

Chair John Luxton declared the meeting open at 10.00am.

**2 Present**

John Luxton (Chairperson), Mayor Jan Barnes, Cr Neil Goodger, Cr Brian Hunter, Cr James Sainsbury, Cr Ash Tanner and Cr James Thomas.

**3 Apologies**

There were no apologies.

**4 Notification of Urgent Business**

Pursuant to clause 3.7.5 and 3.7.6 of the Standing Orders NZS 9202:2003 and Section 6A (7) of the Local Government Official Information and Meetings Act 1987, the Chairman to enquire from members whether there are any additional items for consideration which qualify as extraordinary or urgent additional business.

**5 Confirmation of minutes**

**COMMITTEE RESOLUTION**

That the minutes of the meeting of the Ordinary Meeting of Audit & Risk Committee held on Tuesday, 12 December 2017 and be confirmed as a true and correct record of the meeting.

**Moved by: John Luxton**  
**Seconded by: Mayor JE Barnes**

**CARRIED**

**COMMITTEE RESOLUTION**

That the minutes of the meeting of the Ordinary Meeting of Audit & Risk Committee held on Tuesday, 6 March 2018 and be confirmed as a true and correct record of the meeting.

**Moved by: Cr BL Hunter**  
**Seconded by: Cr JP Sainsbury**

**CARRIED**

**REPORTS**

**6 Executive**

**6.1 Annual Report 2017/18  
Draft Interim Management Report**

**Executive Summary**

The Local Government Act 2002 requires Council to prepare and adopt an annual report for each financial year. The annual report is required to be audited by independent auditors. The auditors appointed to audit Council by the Auditor-General are Audit New Zealand (Audit NZ).

During each financial year Audit NZ carries out an interim audit (completed in May 2018) prior to the final audit conducted in August/September. The purpose of this report is to advise the Audit and Risk Committee members of the findings of the interim audit and present the Draft Interim Management Report.

Management responses reviewed in response to Audit New Zealand Draft Interim Management Report issues identified during the audit:

- Item 2.1 – IT Service management monitoring and resourcing to be improved.
- Item 2.2 – Inconsistencies within performance reporting to be addressed.
- Item 2.3 – Regular review and updates on internal policies.

**COMMITTEE RESOLUTION**

**That:**

- 1. The report is received.**
- 2. The Audit and Risk Committee provides the following feedback to Council regarding the Draft Interim Management Report for 2018:**
  - a) The committee notes that work is being done on Item 2.1.**
  - b) Item 2.2 to continue to reinforce to staff logging outcomes and update reporting.**
  - c) Item 2.3 to review polices identified within the Draft Interim Management Report before end of year.**

**Moved by: Cr JAF Thomas  
Seconded by: Cr AB Tanner**

**CARRIED**

## 6.2 Accounting Policies Review

### Executive Summary

Council's Accounting policies were last reviewed in June 2017. There have been no changes in accounting standards affecting Council since the last review, and as such, no changes to the content of accounting policies have been recommended by staff.

Staff intend to incorporate some improvements to the presentation of the accounting policies in the 2017/18 Annual Report to follow evolving good practice suggested by Audit New Zealand.

### COMMITTEE RESOLUTION

That:

1. **The Audit and Risk Committee recommend to Council that the accounting policies are adopted unchanged from the previous year (as part of the Annual Report adoption process).**

Moved by: Cr AB Tanner  
Seconded by: Mayor JE Barnes

**CARRIED**

### 6.3 Fraud Policy Review

#### Executive Summary

The Fraud Policy is due for review by the Audit and Risk Committee.

The policy was last reviewed in June 2017.

The only changes proposed to the policy are to make it more understandable without altering the intent or focus.

#### COMMITTEE RESOLUTION

That:

1. The revised Fraud and Corruption Policy be adopted.

Moved by: Cr JP Sainsbury

Seconded by: Cr BL Hunter

**CARRIED**

#### 6.4 Protected Disclosures Policy Review 2018

##### Executive Summary

The Protected Disclosures Policy is due for review by the Audit and Risk Committee.

The policy was last reviewed in June 2017.

The changes proposed to the policy are to make it more understandable without altering the intent or focus.

##### COMMITTEE RESOLUTION

That:

1. The revised Protected Disclosures Whistleblower Policy be adopted.

Moved by: Cr AB Tanner

Seconded by: Cr JAF Thomas

**CARRIED**

## 6.5 Long Term Plan 2018-28 Project Update

### Executive Summary

Council is required to prepare and adopt a Long Term Plan (LTP) under the Local Government Act 2002 (LGA) every three years. The Committee have received regular reports on the LTP 2018-28. This report provides a further project update. The LTP is due to be adopted by Council at its meeting on 27 June 2018.

### COMMITTEE RESOLUTION

That:

1. The information be received.
2. The Audit and Risk Committee provides the following feedback to Council regarding the Long Term Plan 2018-28:
  - a) The Committee notes Audit NZ positive feedback on the Long Term Plan, and recognises staff contribution.

Moved by: Mayor JE Barnes  
Seconded by: Cr BL Hunter

**CARRIED**



## 6.6 Management Report and Letter of Representation - Long Term Plan 2018-28

### Executive Summary

The purpose of this report is for the Audit and Risk Committee to receive and consider the Management Report and/or Letter of Representation for the audit of our Long Term Plan. The Management Report and/or Letter of Representation sets out Audit NZ's findings and Council's responsibilities and where appropriate makes recommendations for improvement.

The Management Report and/or Letter of Representation will be circulated prior to or tabled at the meeting.

### COMMITTEE RESOLUTION

That:

1. The information be received.
2. The Audit and Risk Committee provides the following feedback to Council regarding the Management Report and/or Letter of Representation for the Long Term Plan 2018-28:
  - a) The Committee recommends that Council approves the Letter of Representation.

Moved by: Mayor JE Barnes

Seconded by: Cr JP Sainsbury

**CARRIED**

## 6.7 Risk Management Update

### Executive Summary

The Audit and Risk Committee reviewed the Risk Policy and risk framework in 2017.

The proposed Risk Management plan and Risk Management Improvement plan are attached for the Committee's approval

### COMMITTEE RESOLUTION

That:

1. The revised Risk Policy and Risk Management Plan be adopted.
2. The Risk Improvement Plan be approved and released.

Moved by: Cr NC Goodger  
Seconded by: Mayor JE Barnes

**CARRIED**

## 6.8 Specific Project Risk Management Review

### Executive Summary

This report is to inform the Audit and Risk Committee the status of the top three council projects as identified by the Executive team which are the:

- Matamata-Piako Civic and Memorial Centre (MPC&MC) (completed) - \$6.9 million
- Mt Misery Reservoir (construction completed) - \$3.6 million
- Te Aroha - Matamata cycle trail (concept) - \$4.8 million

The report includes the highest risks of each project. More detailed risk registers have been compiled and these can be made available to the committee if required.

### COMMITTEE RESOLUTION

That:

1. The information be received.

Moved by: Cr AB Tanner  
Seconded by: Cr JAF Thomas

**CARRIED**

## 6.9 Progress on Review of E.coli Detection in Water

### Executive Summary

This report is to update the Audit and Risk Committee on work in progress on the recommendations in the Review of E.coli Detection in Water Supplies during 2016 and report by CH2M Beca.

#### Review of E.coli Detection in Water Supplies During 2016

The E.coli report has twenty three recommendations that have been considered, prioritised and is now work in progress. A colour coded system is being used to indicate progress on the work to date. The numbers in brackets are what had been completed and reported to the committee in March 2018.

**Green** (Completed): 18 [15] have been completed, of which 6 were identified as high priority: Most related to incident management, sampling and reticulation.

**Red** (Not Started): 0 [0] All items have begun and are underway.

**Blue** (Started): 1 [2] One medium priority action relates to updating the Water Safety Plans, which again has been substantially completed (WSPs submitted to the Drinking Water Assessor (DWA)) with Te Aroha WSP being received in final draft format. Matamata and Morrinsville WSPs have been audited by the District Health Board in April with 2 non-conformances identified in each. These non-conformances will be addressed by mid-June. Some useful guidance has been received from the assessors which will be utilised in updating the Te Aroha WSP and ultimately Morrinsville and Matamata WSPs.

**Orange** (Ongoing): 4 [4] recommendations have been started and span more than one financial year. They relate to staff competency and training (3), and transferring Te Aroha West to reticulated supply due for completion in January 2019.

Work continues on the recommendations with an expected completion on the majority by the 30<sup>th</sup> of June 2018. The Havelock North Inquiry: Stage 2 report was recently released with presentations being delivered across the country over April. Council are working through the findings of the stage 2 report and it is anticipated that more actions will be required to comply with the findings and potential regulatory changes for Water Supply.

### COMMITTEE RESOLUTION

That:

1. The report be received and the good progress made is noted.

Moved by: Cr JAF Thomas

Seconded by: Cr AB Tanner

**CARRIED**

## 6.10 Quarterly Procurement Report

### Executive Summary

This report summarises internal auditing and analysis of procurement performance over the third quarter, January to March 2017/2018. It is the first report summarising procurement performance, since the recommendation from BDO to report to the Audit and Risk Committee on a six monthly basis. The Procurement Manual was implemented 1<sup>st</sup> of August 2017, and understandings of requirements is improving. Awareness of Councils procurement profile is also growing with increased data analysis allowing Council to identify areas for improvement and opportunities for consideration. This report covers auditing and analysis of procurement through the use of Purchase Orders (PO's).

Audits of PO's are undertaken to review compliance with procurement requirements and the embedding of the recently implemented manual and procedures. Findings are collated to identify trends and track staff performance. Any instances of non-compliance are reported back to managers to discuss with their staff.

Analysis of PO data also enables greater awareness of spend via person, department or supplier. Identifying persons with large spend profiles and spends with the same supplier across different departments. This identifies opportunities for bundling of contracts as well as staff who may need more procurement support, to ensure procurement is undertaken effectively to gain the best value over whole of life.

Recommendations and findings from previous audits have been implemented into Councils Procurement Manuals and procedures to ensure all areas for improvement are addressed and recommendations are applied.

Audits and analysis of PO data will continue to be undertaken to ensure the embedding of processes into practises. Whilst working towards taking advantage of opportunities as they are identified.

### COMMITTEE RESOLUTION

That:

1. The report be received and Fiona and Amy be commended for their work.

Moved by: Mayor JE Barnes

Seconded by: Cr NC Goodger

**CARRIED**

## 6.11 Building Warrant of Fitness Audit

### Executive Summary

The Ministry of Business Innovation and Employment (MBIE) recently carried out a technical review of our Building Warrant of Fitness (BWoF's) process. The review was managed as a training exercise with all the Building Control Officers taking part. The Audit involved an inspection of five buildings with BWoF's and a review of the compliance schedule for the new Matamata Civic Centre.

The review raised a number of opportunities for improvement and the Auditors requested Council to supply further statistical information by 3 September 2018. Some of that information has been provided to the Audit team and the remaining parts are currently being worked through.

### COMMITTEE RESOLUTION

That:

1. The information be received.

Moved by: Cr BL Hunter

Seconded by: Cr JP Sainsbury

**CARRIED**

## 6.12 Annual Insurance Review

### Executive Summary

The Audit & Risk Committee work programme includes the review of Council's insurance arrangements.

The main points for consideration are:

- Does Council have the appropriate types of insurance?
- Is the cover adequate?

A summary of the insurance arrangements is included in the report.

### COMMITTEE RESOLUTION

That:

1. The information be received.
2. The Audit and Risk Committee recommend Council approve.

Moved by: Cr NC Goodger

Seconded by: Cr AB Tanner

**CARRIED**

### 6.13 Information Technology Security Audit 2017

#### Executive Summary

The Audit and Risk Committee recommended that an information technology security audit be undertaken every year.

The audit was undertaken in December and the resulting report is now available for the Committee (circulated separately).

This report provides a summary and update of the recommendations from the audit.

#### COMMITTEE RESOLUTION

That:

1. The information be received and acknowledge that progress has been made, and annual review is beneficial.

Moved by: Cr AB Tanner

Seconded by: Cr JP Sainsbury

**CARRIED**



7 Urgent/Additional Business

**COMMITTEE RESOLUTION**

**That:**

**With sadness Mayor Jan Barnes informed the committee that former Mayor of the Matamata Borough, Don Stanley has passed away and we pass on our condolences to the Stanley family.**

**Moved by: John Luxton  
Seconded by: Mayor JE Barnes**

**CARRIED**

12.15pm

The Chairperson thanked Members for their attendance and attention to business and declared the meeting closed.

CONFIRMED AS A TRUE AND CORRECT RECORD  
AT A MEETING OF AUDIT & RISK COMMITTEE  
HELD ON

**DATE: 9 October 2018**

**CHAIRPERSON:.....**

**Hon. John Luxton**