

# 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 6 March 2018 at 10.00am.

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## Present

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

## Apologies

## Also Present

Don McLeod	Chief Executive	
Caroline Hubbard	Committee Secretary	
Michelle Staines-Hawthorne	Corporate Strategy Manager	Items 6.1,6.2,6.3,6.4,6.9,C1
Sandra Harris	Senior Planner	Items 6.1,6.2,6.3,6.4,6.9
Danny Anglesey	Finance & Business Services Manager	Items 6.1,6.2,6.3,6.4,6.5,6.6
Larnia Weir	Deputy Finance Manager	Items 6.1,6.2,6.3,6.4,6.5,6.6
Amy Pollock	Procurement Officer	
Dennis Bellamy	Group Manager Community Development	Item C1
Manaia Te Wiata	Group Manager Business Support	
Fiona Vessey	Group Manager Business Support	

## In Attendance

Hon John Luxton	Chair Audit & Risk
Ben Halford	Audit NZ
Jared Williams	Audit NZ
Bex Cook	Audit NZ
Andrew Sloman	BDO

**1 Meeting Opening**

Hon John Luxton opened the meeting and apologised for his lateness after his flight was diverted.

**2 Present**

**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.

There was no urgent additional business.

**5 Confirmation of minutes**

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

**These minutes to be approved at 26 June 2018.**

## REPORTS

### 6 Executive

#### 6.1 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. This report provides a progress update on the development of the LTP 2018-28.

The LTP is due to be adopted by Council for public consultation at its meeting on 7 March 2018. A separate report to the Committee addresses the proposed content of the LTP.

##### Comments

Audit NZ commented that the project has gone smoothly and portrays an efficient, effective view of Council's position.

LTP has been through "Hot Review" and changes incorporated. Statements are positive.

Scheduled to adopt CD for Long Term Plan consultation at Council meeting 7 March 2018 going out for consultation 28 March – 28 April 2018.

Acknowledge that there could be future legislative changes but assume that there will be no risks during this process.

#### COMMITTEE RESOLUTION

##### That:

1. The information be received.
2. The Committee has considered comments from Audit NZ and recommend Council adopt the Long Term Plan.

Moved by: Mayor Jan E Barnes

Seconded by: Cr Ash B Tanner

**CARRIED**

## 6.2 Long-Term Plan 2018-28 Content

### Executive Summary

The purpose of the report is to present the draft Long Term Plan 2018-28 (LTP) and Consultation Document (CD) for the Audit and Risk Committee prior to adoption by Council.

The audit process has been completed, Council's auditor, Ben Halford will be in attendance to discuss the audit process. The draft LTP (supporting information to the CD) and CD are circulated separately to this report.

Council will adopt the draft LTP (as the underlying information), CD and above documents for public consultation on 7 March 2018 with community consultation occurring from 28 March to 29 April 2018.

### Comments

Potential for legislative changes would be an additional risk.

Mayor Jan Barnes thanked councillors and staff for acknowledging the critique from Audit NZ and adopting the changes.

### COMMITTEE RESOLUTION

#### That:

1. The information be received; and
2. the committee, after robust discussion, recommend that the Long Term Plan be adopted by Council

Moved by: Cr Ash B Tanner

Seconded by: Cr James A F Thomas

**CARRIED**

### 6.3 Annual Report Audit Plan - Year ending 30 June 2018

#### Executive Summary

This report seeks review and comment from the Committee of the audit proposals and arrangements for the annual audit for the year ending 30 June 2018.

Comments

Replaces the Audit arrangements letter.

Risk of management override, unique position, audit need to be mindful.

Discuss with Executive members if the risks have been identified and make sure policies are visited on regular basis to identify fraud and how these are dealt with and staff reminded of their obligations.

#### COMMITTEE RESOLUTION

That:

1. The Committee recommend Council approve the Annual Report Audit Plan for 2018.

Moved by: Cr Neil C Goodger

Seconded by: Cr James P Sainsbury

**CARRIED**

#### 6.4 Six Monthly Report July - December 2017

##### Executive Summary

The Local Government Act 2002 requires Council to adopt its Annual Report and Summary by 31 October each year.

To ensure that there are no unexpected performance or financial matters leading up to this report, a Six Month Report has been prepared to advise of progress and any likely issues that may arise.

Following recommendations from Audit and Risk Committee, staff have again prepared a condensed Six Month Report which highlights financial and non-financial performance for July to December 2017. A copy will be circulated separately.

##### Comments

Less subsidy income from NZTA but traditionally the bulk of roading work is completed in the second half of the financial year.

Increased subsidy for LED replacement NZTA would like work completed by 30 June 2018, being queried.

#### COMMITTEE RESOLUTION

##### That:

1. The Committee recommend that Council receive the Six Month Report July – December 2017.

Moved by: Cr Ash Tanner

Seconded by: Cr Brian L Hunter

**CARRIED**

## 6.5 BDO Internal Audit Plan

### Executive Summary

The Audit and Risk Committee considers the BDO internal audit plan annually.

A programme of work has been prepared based on the schedule compiled when BDO was engaged.

The programme can be amended to incorporate any alternative or additional areas that the Audit and Risk Committee may nominate.

### COMMITTEE RESOLUTION

That:

1. The BDO Internal audit plan be:

- Property acquisition and disposal
- Desirable items (ie small items of equipment below plant thresh-hold)
- Inventory
- Further advice on internal audits eg internal audit templates

Moved by: Cr James A F Thomas

Seconded by: Cr Brian L Hunter

**CARRIED**



## 6.6 BDO Internal Audit - Procurement

### Executive Summary

BDO has completed an audit of the procurement in the organisation as per the 2017 internal audit plan.

The report is submitted for the consideration of the Audit and Risk Committee

Comments

Manages whole database of creditors and suppliers.

Conflict of interest around procurement of services, out sourcing of services. Should be a mandatory consideration as a risk.

Application followed through by Amy Pollock and she should bring a report to Council at least every 6 months to let them know how message is being reinforced.

### COMMITTEE RESOLUTION

That:

1. The report be received

Moved by: Mayor Jan E Barnes

Seconded by: Cr Ash B Tanner

**CARRIED**

## 6.7 Progress on Review of Ecoli 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 October 2017.

**Green** (Completed): 15 [11] 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): 2 [8] recommendations are underway. One high priority action is substantially complete (Sample tap replacement with 21 out of 30 being installed). The other 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 draft format and planned for submitting to DWA by the 22<sup>nd</sup> of February 2018.

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

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 has recently been released with presentations being delivered across the country over the coming months. 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.

#### Comments

3 remaining taps to be installed this week.

Upgraded Waihou supply, UV disinfection units installed and operating.

Working on Te Aroha West supply connection to main Te Aroha Water supply.

### COMMITTEE RESOLUTION

That:

1. The report be received

Moved by: Cr Ash B Tanner

Seconded by: Cr James P Sainsbury

**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) (nearing completion) - \$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.

#### Comment

Civic Centre - Open 19 March for library, building and customer services, public opening 14 April 2018.

Mt Misery - Contractor to come back onsite in March to complete outstanding items.

Cycleway – no changes in risk at this point in time.

### COMMITTEE RESOLUTION

That:

1. The information be received.

Moved by: Cr Neil C Goodger

Seconded by: Cr Brian L Hunter

**CARRIED**

## 6.9 Policy Review

### Executive Summary

Audit and Risk Chair to talk to requirements of a summary of all policies approved by Council.

### COMMITTEE RESOLUTION

That:

1. Council policies get reviewed and suggest 1 policy be brought to each meeting with a review as to risk and suitability.

Moved by: Hon. John L Luxton

Seconded by: Cr James P Sainsbury

**CARRIED**

**7 Urgent Additional Business**

There were no urgent additional business items.

The following motion is submitted for consideration:

That the public be excluded from the following part(s) of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason 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 follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

**C1 Weathertight Building Claims Update**

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
<p>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</p>	<p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege.</p> <p>.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p> <p>.</p>	<p>s48(1)(a)</p> <p>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</p>

11.40 am The public were excluded.

Resolutions in relation to the confidential items are recorded in the confidential section of these minutes and are not public available.

**Moved by: Cr Ash B Tanner**

**Seconded by: Cr Brian Hunter**

**CARRIED**

11.49pm

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:** 26 June 2018

**CHAIRPERSON:**.....

Hon J Luxton