

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 12 December 2017 at 10:30am.



Present

Chairperson	Sir Dryden Spring	
	Mayor Jan Barnes	Cr Ash Tanner
	Cr James Thomas, JP	Cr James Sainsbury
	Cr Neil Goodger	

Also Present

Don McLeod	Chief Executive	
Caroline Hubbard	Committee Secretary	
Michelle Staines-Hawthorne	Corporate Strategy Manager	Items 6.1,6.2,6.3,6.4,6.5,6.6,6.7
Manaia Te Wiata	Group Manager Business Support	Items 6.1,6.2,6.3,7.2
Danny Anglesey	Finance & Business Services Manager	Items 6.1,6.2,6.3,6.4,
Larnia Weir	Deputy Finance Manager	Items 6.1,6.2,6.3,6.4
Dennis Bellamy	Group Manager Community Development	Items 6.6,8.1, 8.2
Fiona Vessey	Group Manager Service Delivery	Items 9.1,9.2, 9.3
Roger Lamberth	Kaimai Consultants Manager	Items 9.1,9.2, 9.3
Scott Collinge	Water & Wastewater Manager	Item 9.1
Raewyn Ellison	Quality Coordinator	Item 8.1
Sandy Barnes	Health & Safety/Quality Manager	Item 8.1

In Attendance

Ben Halford - Audit NZ
Sir D Spring
Jared Williams – Audit NZ

1 Meeting Opening

Sir Dryden Spring welcomed everyone and declared the meeting open at 10.30am

2 Present

3 Apologies

That apology from B Hunter be accepted and leave of absence from the meeting be granted.

Moved by: Mayor Jan Barnes

Seconded by: Ash B Tanner

CARRIED

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 qualified as extraordinary or urgent additional business.

There was no 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, 10 October 2017, be confirmed as a true and correct record of the meeting.

Moved by: D T Spring

Seconded by: Cr Neil C Goodger

CARRIED

REPORTS

6 Executive

6.1 Long Term Plan 2018-28 - Audit Arrangements Letter and Fees

Executive Summary

The Audit Arrangements Letter (AAL) for the 2018-28 Long Term Plan (attached) outlines the:

- terms of the audit engagement;
- approach to the audit;
- areas of particular audit emphasis;
- audit logistics; and
- professional fees.

While the substance of the (AAL) has been recommended by the Committee, the Committee requested more information on the appropriateness of the proposed fee.

Comments

The Long Term Plan audit is limited, looking at compliance, checking what Council is saying to ratepayers is actually happening and do the numbers add up?

COMMITTEE RESOLUTION

That:

1. The information be received;
2. the Audit & Risk committee recommend to Council that the Long Term Plan Audit fee be accepted.

Moved by: Mayor Jan E Barnes

Seconded by: Cr James A F Thomas

CARRIED

10.39 J Williams, B Halford (Audit NZ) left the boardroom back in at 10.51am

6.2 Long-Term Plan 2018-28, Rates Structure and Revenue and Financing Policy

Executive Summary

Local government funding sits at the heart of the relationship between local councils and their communities. Local government funding decisions involve balancing levels of service, affordability and financial need, backed with economic and legal requirements. Under the Local Government Act 2002 (LGA) Council must adopt a Revenue and Financing Policy setting our Councils policies in respect of the funding of operating expenses and capital expenditure. Under the Local Government (Rating) Act 2002 (LGRA) Council can set rates, a taxation tool to help fund the services it provides.

This report provides the Committee with information on the rates structure and the draft Revenue and Financing Policy proposed for the Long-Term Plan 2018-28.

COMMITTEE RESOLUTION

That:

1. The information is received.

Moved by: D T Spring

Seconded by: Mayor Jan E Barnes

CARRIED

6.3 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.

Comments

Risk log is comprehensive

Staff have worked extremely hard and Michelle and team have compiled all the information.

Is an independent legal review needed to check legislative compliance?

COMMITTEE RESOLUTION

That:

1. The information be received.
2. The Committee notes that the Risk log is comprehensive and Long Term Plan is on track and all milestones have been met on time.

Moved by: Cr Ash B Tanner

Seconded by: Mayor Jan E Barnes

CARRIED

6.4 Audit & Risk Committee - Self Evaluation 2017

Executive Summary

Each year as part of its work programme the Audit and Risk Committee completes a self-evaluation of its performance during the calendar year. This report provides information on the self-evaluation framework. The results of the evaluation will be discussed at the Committee meeting.

A copy of the last self-evaluation (completed in 2015) has been attached to this report for reference.

Comments

Keep tutorials going.

Short tutorial on tax affairs of the council might be useful, look at GST, depreciation and the consequences.

Danny to report to committee any discussions with PwC.

The committee operates better with the extra councillors.

COMMITTEE RESOLUTION

That:

1. **The report and summary from the Committee Chair regarding the outcome of the self-evaluation be received.**
2. **A short tutorial on tax affairs of the council might be useful, look at GST, depreciation and the consequences.**

Moved by: **D T Spring**

Seconded by: **Mayor Jan E Barnes**

CARRIED

6.5 Review of Audit and Risk Committee Charter

Executive Summary

This report provides the Committee with a copy of its Charter (attached) as approved by Audit and Risk Committee in December 2016 and approved by Council. It also provides an opportunity for amendments to be recommended to Council for approval if required.

Comments

Happy with charter.

Good balance with 6 - 4 councillors on the committee.

COMMITTEE RESOLUTION

That:

1. The Audit and Risk Committee note the Charter.

Moved by: D T Spring

Seconded by: Mayor Jan E Barnes

CARRIED

6.6 Delegations - Hauraki District Council - Warranted and Statutory

Executive Summary

Under the Local Government Act 2002, Council may delegate its statutory powers and its functions to Council Officers.

The Committee sought further assurances at its October meeting on the level of delegation given to Hauraki District Council staff. This report seeks to address those issues.

Comments

There are no Shared Services agreements with Hauraki District Council for Environmental Health and Alcohol licensing but there are delegations. Need to make sure that Delegations are exercise only on the specific request of Matamata-Piako District Council.

Council issues fire permits for 1 year only until New Zealand Fire service is organised to undertake this .

COMMITTEE RESOLUTION

That:

1. The information be received.
2. The Committee note that functions relating to Forest and Rural Fires Act 1977 have been deleted with this function passing to FENZ.

Moved by: D T Spring
Seconded by: Mayor Jan E Barnes

CARRIED

6.7 Proposed Meeting Dates For 2018

Executive Summary

The Audit & Risk committee are asked to give consideration to the meeting cycle which best suits their needs.

The schedule outlined below follows a similar schedule to that which was used in 2017.

It is proposed that meetings are held in the Council Chambers in Te Aroha and commence at 10.00am, with lunch provided at 12 noon.

The dates that have been proposed coincide with key dates in the Long Term Plan and Annual Report cycles. Any changes to these dates will need to be checked against the project dates that have been identified as part of the Committee work programme in a separate report.

MONTH	AUDIT & RISK	COUNCIL/COC
March 2018	6 March	7 March
June 2018	26 June	27 June
October 2018	9 October	10 October
December 2018	11 December	12 December

COMMITTEE RESOLUTION

That:

1. The Audit & Risk meeting dates for 2018 are confirmed as above.

Moved by: D T Spring
Seconded by: Mayor Jan E Barnes

CARRIED

7 Business Support

7.1 Liability Management Policy Amendment

Executive Summary

Council's definition of 'net debt' in the current Liability Management Policy does not allow for investments of between 3 and 12 months to be included in the calculation. At 30 June 2017, Council had significant term deposits in this category. As such their exclusion from the net debt calculation in the Annual Report resulted in a reported net debt figure that, without further explanation, would have been quite misleading to the reader considering Council's overall financial position.

Council's current policy definition differs from the more commonly understood definition of 'net debt' and from the definitions we understand are used by most other Councils. Council's policy is also significantly more conservative than the definition used by the New Zealand Local Government Funding Agency (LGFA), where the majority of Council's loan funding is sourced. Staff propose that the definition of 'net debt' in Council's Liability Management Policy is updated to more closely align with the LGFA.

Comments

Very healthy balance sheet.

COMMITTEE RESOLUTION

That:

1. The Committee recommend Council adopt the proposed amendment to the definition of 'net debt' set out in the Liability Management Policy.

Moved by: D T Spring
Seconded by: Cr Ash B Tanner

CARRIED

7.2 Risk Policy and Risk Management Plan

Executive Summary

The Audit and Risk Committee reviewed the Risk Policy at the October meeting and requested a number of additions.

An updated version of the policy is attached incorporating suggested changes for the Committee's review including some minor corrections.

The Committee is now scheduled to review the Risk Management Plan. The Policy changes are being incorporated into the Risk Management Plan and this report provides an update.

Comments

Good comment on culture, good approach to Risk Strategy. Objectives and what is going to happen in regards to reporting.

Expect organisation to comply with all requirements.

It is very important that Council clearly defines its Risk Appetite. The policy suggests to Council a Risk Appetite statement.

All points very important.

May need to look at climate change during the course of the year.

Risk Management Plan

Management Plan will come back to ARC committee at a later date.

Not setting out to eliminate risk, rather manage and identify risk. Eliminate risk at greater cost.

Associated with this is Risk Action Plan.

Don McLeod acknowledged the work Manaia Te Wiata has put onto the policy and Sir Dryden endorsed the comments.

COMMITTEE RESOLUTION

That:

1. The information be received.
2. The committee endorses the updated Risk Policy and recommends to Council for adoption.

Moved by: D T Spring
Seconded by: Cr James A F Thomas

CARRIED

8 Community Development

8.1 External ISO Quality Audit - October 2017

Executive Summary

As part of being ISO 9001 certified Council is externally audited every twelve months by Telarc Limited. This will either be a surveillance audit to ensure we are on track or a triennial audit to determine if Council's ISO certification should continue.

Telarc Limited carried out their three day triennial audit on 9, 10 and 11 November 2017 to determine whether Council should be recertified against the new ISO 9001:2015 standard.

The audit resulted in 1 minor non-conformance and 18 opportunities for improvements and that Council ISO 9001 certification continues.

The audit report is attached for the Committee's information.

COMMITTEE RESOLUTION

That:

1. The information be noted.

Moved by: Mayor Jan E Barnes

Seconded by: D T Spring

CARRIED

8.2 Update of Quality Internal Audits Completed to August 2017

Executive Summary

As part of ISO 9001 internal audits are scheduled throughout the year and allocated to our 18 internal auditors.

The Unit Managers have considered the “key risk areas” for their units which provide the basis for our internal audit schedule for 2017.

This calendar year 36 audits have been allocated to the 18 auditors. This doesn't include the 15 cash handling audits that are done by 2 auditors from the Finance and Business Services Team.

From September to October 2017 staff have completed 10 audits including 3 cash handling ones. The audits prior to September were reported at the last Audit & Risk Committee meeting.

From the completed audits there was 5 areas of concern and 41 opportunities for improvement which have been recorded as corrective actions in the quality system and allocated to staff to complete.

COMMITTEE RESOLUTION

That:

1. The information be received.

Moved by: D T Spring
Seconded by: Mayor Jan E Barnes

CARRIED

9 Service Delivery

9.1 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 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): 11 [9] have been completed, of which 6 were identified as high priority: Most related to incident management, sampling and reticulation.

Red (Not Started): 0 [3] All items have begun and are underway.

Blue (Started): 8 [8] recommendations are underway. Most are high priority actions related to implementing reticulation procedures and updating the Water Safety Plans. Timeframes for completion are December 2017 – January 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.

The recommendations are continuing to be worked upon with an expected completion of most actions by December 2017. It is surmised that more actions will be added upon completion of the Havelock North Inquiry: Stage 2 report.

Comments

Water safety plans have been completed.

Replaced 27 sample taps, high priority reticulation and bore sample taps.

Outstanding items – training for staff in practise around emergency procedures.

Sampling practise and delivery is being closely monitored to reduce risk

COMMITTEE RESOLUTION

That:

1. The report be received.

Moved by: D T Spring

Seconded by: Cr Ash B Tanner

CARRIED

9.2 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) (under construction) - \$6.9 million
- Mt Misery Reservoir (under construction) - \$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.

Comments

Matamata-Piako Civic and Memorial Centre - Looking to have physical work completed by end of January 2018.

Mt Misery Reservoir – look to be commissioned by end of December 2017

Mt Misery Reservoir – awaiting final signed agreements.

COMMITTEE RESOLUTION

That:

1. The information be received.

Moved by: D T Spring

Seconded by: Mayor Jan E Barnes

CARRIED

9.3 NZ Transport Agency Investment Audit Report

Executive Summary

The NZ Transport Agency contributes 51% of the funding needed to carry out most of the local roading activity across Matamata-Piako District. To ensure these funds are being well managed and are providing value for money, NZTA have an Investment Assurance Programme and undertakes scheduled Investment Audits. Council's scheduled audit was undertaken in September 2017.

The audit reviewed four years of data. It found that procurement procedures comply with NZTA requirements, that contracts are effectively managed and that good processes are in place to ensure good value for money from in-house professional services.

The audit also found two areas of concern:

1. Council had claimed funding assistance for work not carried out, and
2. In 2015/16 and 2016/17 the retentions account was used to hold unspent money until work was completed in the following financial year.

The two areas of concern relate to the incorrect use of the retentions account to place money from the NZTA for work that had not been carried out. Once this was identified by NZTA, an internal investigation was initiated immediately to understand why this occurred and to ensure it does not happen again. The findings of the internal investigation identify gaps in process and procedures, communication and training.

Work has commenced on implementing the suggestions and recommendations in the NZTA Investment Audit Report and on the findings of the Internal Investigation. There will be internal and external costs associated with the identified improvements and these are currently being scoped.

Comments

External support being supplied to ensure staff understand procedures and why they are there.

Specific Road building procurement document – mixture of policy and plan as set by NZTA – bring to March 2018 Audit & Risk meeting.

COMMITTEE RESOLUTION

That:

1. The report is noted.

Moved by: D T Spring
Seconded by: Cr Ash B Tanner

CARRIED

9.4 Draft Work Programme 2018

Executive Summary

This report provides for discussion by the Audit & Risk committee of its work programme for 2018.

March 2018

- Annual Report – review of the Audit Arrangements Letter
- Annual Report – review of the six month report
- Treasury Policy Review
- Long Term Plan – review of audit of the Consultation Document
- BDO Internal Audit plan
- Standing item – Specific Project Risk Management Review
- Standing item – Review of any audit reports that have been completed
- Standing item – In committee auditor/committee member discussion
- Weathertight Buildings Update

26 June 2018

- Annual Report – review of the report on the interim audit
- Annual insurance programme review
- Long Term Plan – review of interim/final management report and final Long Term Plan audit
- Annual risk management framework/analysis review
- Annual review of Accounting policies
- Review of Fraud and Protected Disclosures Policies
- Standing item – Specific Project Risk Management Review
- Standing item – Review of any audit reports that have been completed
- Standing item – In committee auditor/committee member discussion

9 October 2018

- Annual Report – review of the final Annual Report, Summary, Audit Opinion and letter of representation
- Annual financial warrant of fitness assessment
- Annual legislative warrant of fitness assessment
- Annual review of delegations
- Self-evaluation of committee circulated
- Standing item – Specific Project Risk Management Review
- Standing item – Review of any audit reports that have been completed
- Standing item – In committee auditor/committee member discussion

12 December 2018

- Review of the Audit and Risk Committee Charter
- Proposed meeting dates for 2019
- Draft work programme for 2019
- Annual update of Quality External Audit (Telarc) and additional external audits being undertaken by Council
- Annual update on organisational culture - vision and values
- Annual Risk Policy review
- Self-evaluation of committee completed
- Standing item – Specific Project Risk Management Review
- Standing item – Review of any audit reports that have been completed
- Standing item – In committee auditor/committee member discussion

Other reports to be included in 2018 programme

- Annual risk management framework/analysis review – need to provide a separate report on Risk appetite for Risk management.
- Mobile plant policy follow up needs to come back to the committee.

COMMITTEE RESOLUTION

That:

- 1. The Audit & Risk committee approve a Work Programme for the 2018 calendar year.**

Moved by: Mayor Jan E Barnes
Seconded by: Cr James A F Thomas

CARRIED

10 Urgent Additional Business

Comments;

Sir Dryden

- thanked the elected members for their support in his role as Chair of the Audit & Risk committee
- noted that Risk management is heading in the right direction
- thanked Don McLeod and staff for their responses to any demands/suggestions and reiterated how dedicated staff are
- noted that it has been good to work with Audit NZ staff as well especially Ben Halford.

Mayor Jan Barnes

- Thanked Sir Dryden for leading the Audit & risk committee, giving strength to her councillors and having a great working relationship with Don McLeod and the staff
- Thanked Audit NZ for their involvement in this committee
- And thanked Hon. John Luxton for becoming the new Chair of the Audit & Risk committee.

12.52 pm

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: 6 March 2018

CHAIRPERSON:.....

J Luxton