

# 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 27 June 2017 at 10:30am.

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## Present

<b>Chairperson</b>	Sir Dryden Spring	
	Mayor Jan Barnes	Cr Ash Tanner
	Cr Brian Hunter	Cr James Thomas, JP
	Cr James Sainsbury	

## Also Present

Don McLeod	Chief Executive	
Caroline Hubbard	Committee Secretary	
Dennis Bellamy	Group Manager	Items 6.2,6.3,6.1,6.5,6.6
	Community Development	
Sandy Barnes	Health & Safety/Quality Manager	Item 6.2,6.1,6.5,6.6
Raewyn Ellison	Quality Coordinator	Item 6.2
Norm Barton	Building Control Manager	Items 6.2,6.3
Niall Baker	Acting Senior Policy Planner	Items 6.4.6.5,6.6,6.8
Vicki Oosthoek	Policy Officer	Items 6.4,6.5,6.6,6.8,6.9
Eion Scott	Communications Manager	Items 6.5,6.6,6.8,6.11
Larnia Weir	Deputy Finance Manager	Items 6.4,6.5,6.6,6.7,6.8
Danny Anglesey	Finance & Business Services Manager	Items 6.1,6.4,6.5,6.6,6.8
Manaia Te Wiata	Group Manager	Items
Kate Stevens	Business Support	6.4,6.5,6.6,6.8,6.10,6.11
	Health & Safety Facilitator	Items 6.1,6.5,6.6
Fiona Vessey	Group Manager	Item 6.11
	Service Delivery	

## In Attendance

Ben Halford	Audit NZ
Andrew Sloman	BDO
Mike Cosman	Cosman Parkes Ltd (in at 10.54, out at 11.30am)

**1 Meeting Opening**

Sir Dryden welcomed everyone and declared the meeting open at 10.00am

**2 Present**

**3 Apologies**

That the apology from Cr N Goodger be accepted and leave of absence from the meeting be granted.

**Moved by: Cr Ash B Tanner**

**Seconded by: Mayor Jan Barnes**

**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 qualify 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, 21 February 2017, be confirmed as a true and correct record of the meeting.

**Moved by: Dryden T Spring**

**Seconded by: Cr Brian L Hunter**

**CARRIED**

## REPORTS

### 6 Executive

#### 6.1 Health & Safety Management System - External Audit

##### Executive Summary

10:30 a.m. Mr Mike Cosman, Cosman Parkes Ltd

The Audit & Risk Committee recommended that Council seek an external audit of their health & safety management system. Mr Mike Cosman of Cosman Parkes undertook the audit in April 2017.

Mr Cosman has extensive experience in health & safety, both in New Zealand and the UK, and will be in attendance at the meeting to present the report and answer questions from members.

A copy of the audit report is attached.

##### Comments

No formal assurance plan around control at Governance level.

Focussed on risks that council carries out itself but need to have more control over services delivered by third parties.

Use of facilities for events – how you go about letting centres out and person running event works to Councils best practise.

Leadership – good from Mayor, CEO but maybe not from lower levels. Over reliance on Health & Safety team.

Good Policy – need to turn policy into practise. Frontline managers need to take this on board.

Very good report

##### COMMITTEE RESOLUTION

That:

- 1. The report be received.**
- 2. Another external audit be done in a year's time and that staff consider how the current auditor is utilised.**

**Moved by: Mayor Jan E Barnes**

**Seconded by: Cr James A F Thomas**

**CARRIED**

This item was considered after item 6.6

## 6.2 Update of Quality Internal Audits Completed May 2017

### Executive Summary

As part of ISO 9001:2008 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 year 37 audits have been allocated to the 16 auditors. This doesn't include the 15 cash handling audits that are done by 2 auditors from the Finance and Business Services Team.

Up to the end of May, staff have completed 11 audits.

From the completed audits there were 4 area of concern's and 30 opportunity for improvement's which have been recorded as corrective actions in the quality system and allocated to staff to complete.

### Comments

Significant progress with using the audit process.

### COMITTEE RESOLUTION

That:

1. The information be received.

Moved by: Dryden T Spring

Seconded by: Mayor Jan E Barnes

**CARRIED**

This item was taken first on the agenda.

### 6.3 Building Control Authority - 2017 Assessment

#### Executive Summary

The Building Control Authority (BCA) accreditation and registration scheme is among a suite of Building Act 2004 reforms designed to help improve the control of, and encourage better practice and performance in, building design, regulatory building control and building construction.

International Accreditation New Zealand (IANZ) undertook an on-site audit of Council's building control functions on 29 – 31 March 2017. A copy of their report is circulated separately.

#### Comments

Authority had a number of issues.

1 corrective action request, 1 notice to fix.

Need to specify reasons why they were making decisions whether yes or no.  
Consequence now takes a lot longer to process checklists.

#### COMMITTEE RESOLUTION

**That the information be received.**

**Moved by: D T Spring**

**Seconded by: Cr Brian L Hunter**

**CARRIED**

This item was considered after Item 6.2

## 6.4 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

Good process and risks identified.

### COMMITTEE RESOLUTION

That:

1. The information be received.

Moved by: Mayor Jan E Barnes

Seconded by: Cr James A F Thomas

**CARRIED**

This item was considered after Item 6.8 and before Item 6.5

## 6.5 Growth Assumptions - Long Term Plan 2018-28

### Executive Summary

The purpose of this report is to formally present to the Audit and Risk Committee the projections for the District's resident population, dwellings and rating units to inform the Council's Long Term Plan 2018-28.

Rationale has modelled low, medium and high growth scenarios for Council's consideration. Rationale recommended Council adopt a medium growth scenario, which would see annual average annual growth rates out to 2048 of 0.3% for resident population, and 0.6% for dwellings and 0.7% for rating units respectively. Council formally adopted the medium growth series at its meeting on 26 April 2017.

The report from Rationale presenting the growth projections is attached. Supporting tables showing the low, medium and high projections are available upon request.

### Comments

Not sure how the rationale was applied.

Important to note what could be the maximum growth in the short term and what might be needed to mitigate this. If these are not correct what impact would this have on Council infrastructures etc.

### COMMITTEE RESOLUTION

That:

1. The information be received.

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

**CARRIED**



## 6.6 2018/28 LTP Financial Assumptions

### Executive Summary

At this preliminary stage in the development of the LTP, staff seek to confirm that the Committee is satisfied with the methodology/direction of some of the more significant financial assumptions intended to be applied in the first draft of the LTP budgets

### Comments

Get 2<sup>nd</sup> opinion of the financial assumptions.

### COMMITTEE RESOLUTION

That:

1. **Staff get a second opinion on which to base the development of the significant financial assumptions for the 2018/28 Long Term Plan.**

Moved by: D T Spring

Seconded by: Cr James A F Thomas

**CARRIED**

## 6.7 Accounting Policies Review

### Executive Summary

Council's Accounting policies were last reviewed in June 2016. There have been no changes in accounting standards affecting Council since the last review, and as such, no amendments to the accounting policies have been recommended by staff.

### COMMITTEE RESOLUTION

That:

1. The 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: D T Spring

Seconded by: Mayor Jan E Barnes

**CARRIED**

This item was taken out of order and considered after Item 6.3

**6.8 Annual Report 2016/17  
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 2017) 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.

The Audit NZ Draft Interim Management Report is attached. The Report has concluded that the internal controls and processes are operationally effective, and can be relied upon.

**Comments**

Monitoring & review of suspense accounts - Formalise the monitoring and review of these accounts on a monthly basis.

Review of pay run processing – A new step has been added to the final pay process.

Information technology function –Management will review work priorities. Looking to have 1 person list what digital improvements are required/wanted by all departments and set up priority list.

Remote access to live system by Civica – review and identify potential risks. Log system required to enter our system, Council is reliant on third party to have good checks in place for leaving staff.

Improvements to tracking internal charges within the general ledger – Simplify spreadsheet for better understanding.

Accuracy of information recorded for service requests – Need to make sure the entering of data is correct so system can be as robust.

No significant or serious issues.

**COMMITTEE RESOLUTION**

**That:**

- 1. The report is received;**
- 2. The Audit and Risk Committee provided feedback to Council regarding the Draft Interim Management Report for 2017.**

**Moved by: D T Spring**

**Seconded by: Cr Brian L Hunter**

**CARRIED**

This item was considered after item 6.7

**6.9 Audit New Zealand Fees**

**Executive Summary**

Councils around our size are paying proportionate amounts.

Chief Executive Officer has been authorised to go back to Audit NZ with final offer.

**COMMITTEE RESOLUTION**

**That:**

- 1. The information is received.**

**Moved by: D T Spring**

**Seconded by: Mayor Jan E Barnes**

**CARRIED**

## 6.10 LGOIMA Requests

### Executive Summary

At its October 2016 meeting the Audit and Risk Committee chairperson requested that we assess the frequency and time spent on requests for information under the Local Government Official Information and Meetings Act.

The collation of LGOIMA request information shown below is a list of requests for information, the number of days to respond and the hours of staff time it took to respond, for the first five months of this year.

The average time to respond was 10.8 days (up to 20 working days are provided for in law) and the average time it took to process each request was 1.8 hours.

The \$38 per half hour charge is set in line with guidelines produced by the Ombudsman. This is not likely to be reviewed for some time.

The expectation of the Ombudsman is very much that Council's should provide information at little or no cost where possible, with the view that freely available information supports a transparent government.

### Comments

Should be asking for payment if coming back again and again, apply the policy.

Policy is sound. Most requests are basically straightforward and don't take a lot of time.

### COMMITTEE RESOLUTION

That:

1. This information was received by the Audit and Risk Committee

Moved by: D T Spring

Seconded by: Mayor Jan E Barnes

**CARRIED**

## 6.11 Progress On Review of E.coli Detection In Water Supplies And Havelock North Enquiry

### 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 and an initial self-assessment against the main findings from the Report on Havelock North Drinking Water Enquiry: Stage 1.

#### 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:

**Green** (Completed): 2 were completed in May 2017 and related to incident management specifically transgression reporting.

**Red** (Not Started): 5 have not yet begun as they are dependent on other recommendations or are low priority. They will be reviewed as part of the program of works but are expected to be completed by December 2017.

**Blue** (Started): 11 recommendations are underway, a large proportion are high priority and relate to Water Safety Plans and Reticulation. Timeframes for completion range from end of June to December 2017.

**Orange** (Ongoing): 5 recommendations have been started and span more than a financial year. They relate to staff competency and training, sampling and testing.

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.

#### Report on Havelock North Drinking Water Enquiry: Stage 1

The process of self-assessment against the Havelock North Drinking Water Enquiry reviewed over 100 aspects across 11 key categories and uses a colour coding system to indicate the level of confidence:

**Green:** 45 aspects exhibit a high level of confidence in current processes, procedures and practices to mitigate against a Havelock North type of event.

**Amber:** 27 aspects are subject to ongoing works or further investigations.

**Red:** 16 aspects reflect low confidence levels and are identified priorities for investigation.

**White:** 23 aspects have not been previously been considered and yet to be assessed.

The next stage of the process is to develop an action plan around the prioritised items, assign action owners and timeframes for delivery.

### Comments

Report from Beca but didn't give information as to whether there had been other clear tests in between or whether there had been the same sampler on the days there were ecoli detected.

All recommendations are being implemented apart from 1 medium. Water management capability is being looked at for the whole district.

**COMMITTEE RESOLUTION**

**That:**

- 1. The report be received.**
- 2. The committee thoroughly endorses the measures being taken by Matamata Piako District Council.**

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

**CARRIED**

## 6.12 Specific Project Risks

### 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) - \$4.0 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

All good.

Mt Misery road will be constructed next construction season, starting October 2017.

### COMMITTEE RESOLUTION

That:

1. The information be received.

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

**CARRIED**



**7 Business Support**

**7.1 Review of Fraud Policy and Protected Disclosures Policy**

**Executive Summary**

The Fraud Policy and Protected Disclosure Policy are due for review by the Audit and Risk Committee.

The policies were last reviewed in June 2016.

A communication plan to raise awareness of the policies (and the Conflict of Interests Policy) was approved by the Committee in 2016. An update on progress with that plan is included in the report.

An amended Fraud Policy was tabled and discussed. The Committee recommends it is adopted by Council.

Audit New Zealand has reviewed the Fraud Policy and has provided comments.

**COMMITTEE RESOLUTION**

**That:**

- 1. The information be received.**
- 2. Council adopt the amended Fraud Policy and Protected Disclosures Policy.**

**Moved by: Cr James P Sainsbury**

**Seconded by: Cr Ash B Tanner**

**CARRIED**

## 7.2 Risk Management Update

### Executive Summary

The Audit and Risk Committee reviewed the state of Risk Management in the organisation in December 2016.

The report provides an update on the actions implemented since that review.

### Comments

Define appetite for risk. Risk statement from Council is quite important.

### COMMITTEE RESOLUTION

That:

1. That the information be received.

Moved by: D T Spring

Seconded by: Mayor Jan E Barnes

**CARRIED**

### 7.3 Annual Insurance Programme Review

#### Executive Summary

The Audit and Risk Committee is scheduled to review Council's insurance arrangements.

There are two outstanding projects that the Committee had identified in prior reviews that have yet to be completed.

This report provides an overview of Council's insurance.

#### Comments

Cover looks adequate

#### COMMITTEE RESOLUTION

That:

1. the information be received.

Moved by: D T Spring

Seconded by: Cr Brian L Hunter

**CARRIED**

Mayor Jan Barnes out of meeting at 12.56pm

**8 Urgent Additional Business**

There was no urgent additional business.

**9 Procedural motion to exclude the public**

**COMMITTEE RESOLUTION**

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
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.	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege.  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).	s48(1)(a)  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.

**C3 Internal Audit Report - Matamata Cash Handling**

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
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 6.	s6(a) - The making available of the information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences and the right to a fair trial.	s48(1)(a)  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 6.

**C2 LGNZ Excellence Programme 2016**

Reason for passing this resolution	Particular interest(s) protected	Ground(s) under section 48(1) for
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in relation to each matter	(where applicable)	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)(c)(i) - The withholding of the information is necessary to 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>s48(1)(a)                      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>

The text of these resolutions is made available to the public who are present at the meeting and form part of the minutes of the meeting.

**Moved by: Mayor Jan E Barnes**  
**Seconded by: Cr Ash B Tanner**

**CARRIED**

12.58pm      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.

1.15pm

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:** 10 October 2017

**CHAIRPERSON:**.....

Sir D Spring