

MINUTES	MEETING HELD ON	TIME
AUDIT AND RISK COMMITTEE	THURSDAY, 27 APRIL 2017	10.03 AM

MINUTES of a meeting of the **Audit and Risk Committee**, held in the Council Chambers, Ground Floor, 175 Rimu Road, Paraparaumu, on **Thursday, 27 April 2017**, commencing at 10.03am.

PRESENT:	Cr	F	Vining	Deputy Chair
	Cr	J	Cootes	
	Mayor	K	Gurunathan	
	Mr	W	Tuck	Appointed Member
IN ATTENDANCE:	Mr	P	Dougherty	Chief Executive
	Mr	M	de Haast	Acting Group Manager Corporate Services
	Mr	S	Mallon	Group Manager Infrastructure Services
	Ms	N	Tutt	Legal Counsel
	Mr	B	Randall	Member, Paraparaumu/Raumati Community Board
	Ms	S	Foss	Business Improvement Manager
	Mr	E	Church	Chief Information Officer
	Mr	A	Sofo	Ernst & Young
	Mr	D	Borrie	Ernst & Young
	Ms	D	Andrew	Organisational Development Manager
	Cr	D	Scott	
	Cr	M	Benton	
	Cr	J	Elliott	
	Cr	J	Holborow	
	Mr	J	Westbury	Member, Waikanae Community Board
	Mrs	J	Nock	Executive Secretary, Corporate Services
LEAVE OF ABSENCE:	Cr	M	Scott	
APOLOGIES:	Cr	M	Cardiff	Chair

The Chair opened the meeting and stated there were some issues she would not allow discussion on because they were the subject of a police investigation. Councillor David Scott strongly disagreed with the Chair's statement. As a result the meeting was adjourned at 10.05am and reconvened at 10.17am.

Cr Benton left the meeting at 10.17am.

As per Section 19.3 of Standing Orders, the Chair requested an apology from Councillor David Scott for the comments he had made. An apology for those comments was not given and the Councillor was directed to leave the meeting.

Councillor David Scott refused to comply with the Chair's direction so the meeting was adjourned at 10.20am and reconvened at 10.30am.

Cr D Scott left the meeting at 10.25am.

The Chair welcomed everyone to the meeting.

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ARC 17/04/011

(a) APOLOGIES

MOVED (Cootes/Tuck)

An apology was received from Cr Cardiff.

CARRIED

It was noted that Cr M Scott was on leave of absence.

(b) DECLARATIONS OF INTEREST RELATING TO ITEMS ON THE AGENDA

There were no declarations of interest.

ARC 17/04/012

PUBLIC SPEAKING TIME

Paul Dunmore

Mr Dunmore spoke about items 6 and 8 on this Agenda:

- 2015/16 Key Audit Findings – concerned about information security; and
- Insurance Overview – advised Members to not support a self-insurance fund.

Salima Padamsey

Ms Padamsey spoke about her concerns with rates increases.

It was clarified that Ms Padamsey's questions were directed to Councillors not staff.

John Le Harivel

Mr Le Harivel spoke about his concerns with:

- rates increases;
- Council's inadequate budget for the stormwater system; and
- the Mayor's column in the local newspaper attacking individuals in the community and would the Council pay the legal fees if a case was brought against him.

The Mayor commented that his column was from his own personal perspective.

ARC 17/04/013

MEMBERS' BUSINESS

(a) Public Speaking Time Responses

Mr Dunmore

With regard to the self-insurance fund, stated within the Insurance Overview report, it was acknowledged that indeed the Council could do nothing, but with more frequent severe weather events and Central Government 60/40 funding split review, the Self-Insurance Fund would best protect the ratepayers and soften the financial burden from natural catastrophe damage to Council assets.

Mr Dunmore's other questions would be answered as part of the Key Audit report later in the meeting.

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Ms Padamsey

It was advised that Standard & Poor's undertook a rigorous annual review of Council's credit rating and Council's financial management was incredibly strong. Council was working closely with Standard & Poor's.

It was agreed there was a large number of major projects in the pipeline with associated costs and these would be discussed in detail during the Long Term Plan process. Members would face challenges to meet community expectations and managing debt.

Members advised that many of Ms Padamsey's questions could be answered via the Annual Plan Consultation Document.

Mr Le Harivel

It was agreed that stormwater was a big issue with this Council and next year's budget had been increased and would be further discussed during the Long Term Plan process.

Members advised they were well informed of capital projects and the impact on rates and very aware of the challenges that lay ahead.

- (b) Leave of Absence
There was no leave of absence.
- (c) Matters of an Urgent Nature
There were no matters of an urgent nature.

PRESENTATION: DEVELOPMENT CONTRIBUTIONS – THE INS AND OUTS

Gina Sweetman, a Development Contributions Commissioner, gave a presentation showing an overview of Development Contributions and responded to Members' questions.

James Westbury left at 11.18am and did not return to the meeting.

Cr Holborow left the meeting at 11.23am and returned at 11.24am.

The Chair thanked Ms Sweetman for her presentation.

ARC 17/04/014

UPDATE: RISK MANAGEMENT FRAMEWORK

Mark de Haast, Acting Group Manager Corporate Services, gave a brief update on the Risk Management Framework including:

- Resilience (Corporate BCPs and Policy);
- Group Manager Risk Assessment Interviews;
- Lines of Defence and Business Assurance Programme;
- Risk Transfer (Insurance);
- Procurement (scoping and forward programme);
- Developing a Fraud Awareness Programme; and
- Tax Awareness Training.

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ARC 17/04/015

REGULAR PROGRESS UPDATE ON 2015-16 KEY AUDIT FINDINGS (Corp-17-177)

The report was taken as read and Mr de Haast responded to Members' questions

Cr Elliott left the meeting at 11.28am and returned at 11.29am.

Mr de Haast reiterated, as per Appendix 1 of this report (Corp-17-177), that the two remaining open control findings would be completed by the end of August 2017.

MOVED (Mayor/Tuck)

That the Audit and Risk Committee notes the progress update regards Ernst & Young's Report on Control Findings for the year ended 30 June 2016.

CARRIED

The meeting adjourned at 11.35am and reconvened at 11.50am.

ARC 17/04/016

2014-15 KEY AUDIT FINDINGS UPDATE (Corp-17-152)

Mr de Haast introduced Ewen Church, Council's Chief Information Officer.

In response to Mr Dunmore's concerns, Mr Church advised the following:

- Council using XP Windows on their computers – XP is used on an isolated computer separate from the Council network and an upgrade has been arranged; and
- Information Security Management Framework - would be on practical controls based on Ernst & Young's findings.

The report was taken as read. Kevin Black, Manager, Corporate Planning & Reporting responded to KPI questions and Ewen Church responded to ICT questions.

It was advised that both the Business Improvement Team and the ICT Team were well placed to complete the two remaining control findings: (1) KPIs by the end of June 2017 with associated ICT issues by the end of August 2017 (2) ICT general system security settings by June 2018.

MOVED (Tuck/Mayor)

That the Audit and Risk Committee notes the proposed approach to progression of Ernst & Young's Control finding for the year ended 30 June 2015 relating to:

- **Non-financial performance reporting – review of underlying data, and**
- **The implementation of improvements to the IT general system security settings.**

CARRIED

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ARC 17/04/017

2016/17 INSURANCE OVERVIEW (Corp-17-088)

The report was taken as read.

It was noted that Councils throughout the region were working well together on shared services.

It was clarified that Council's insurance did not cover coastal erosion but it did cover against natural disasters.

MOVED (Vining/Mayor)

That the Audit and Risk Committee notes the Council's potential financial risk exposure/s to rising insurance costs and losses from natural catastrophe.

That the Audit and Risk Committee recommends to Council the establishment of a self-insurance fund as part of the 2017/18 Annual Plan.

That the Audit and Risk Committee endorses completion of regular loss modelling, insurance valuations, risk profiling and an infrastructure asset resilience strategy, with a report back to this Committee.

That the Audit and Risk Committee endorses the proposal for Council officers to explore options for further mitigating insurance costs and potential losses.

CARRIED

ARC 17/04/018

ERNST & YOUNG AUDIT PLAN FOR THE YEAR ENDED 30 JUNE 2017 (Corp-17-168)

David Borrie from Ernst & Young gave a brief introduction of the report and responded to Members' questions.

Members congratulated the Auditors on their Audit Plan.

A discussion/report back on Council's Fraud Policy and Prevention Programme was requested by Members.

MOVED (Tuck/Cootes)

That the Audit and Risk Committee receives and notes the Ernst & Young Audit Plan for the year ended 30 June 2017.

That the Audit and Risk committee delegates authority to the Group Manager Corporate Services, to authorise Ernst & Young's audit engagement letter for the 2017, 2018 and 2019 financial years.

CARRIED

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ARC 17/04/019

PROPOSAL TO CONDUCT THE AUDIT OF THE COUNCIL ON BEHALF OF THE AUDITOR-GENERAL FOR THE 2017, 2018 AND 2019 FINANCIAL YEARS (Corp-17-169)

The report was taken as read.

MOVED (Mayor/Cootes)

That the Audit and Risk Committee notes Ernst & Young's proposal to conduct the audit of Council on behalf of the Auditor-General for the 2017, 2018 and 2019 financial years.

CARRIED

ARC 17/04/020

HEALTH AND SAFETY QUARTERLY REPORT (CE-17-173)

The report was taken as read and Dianne Andrew, Organisational Development Manager, responded to questions.

Ms Andrew advised of updates within the report on page 4 of the report:

- Employee Health and Safety Inductions - 16 had completed inductions; and
- Contractor Management – 13 contractors working through the approval application process – only 1 of these contractors was currently undertaking work for the Council; the remaining paperwork was due on 30 April 2017.

It was confirmed that, as part of Council's wellness initiative, an Employee Assistance Programme (EAP) was available to staff.

Members requested that:

- staff training courses, relating to wellness initiatives, be included in future reports including how many staff attended those courses;
- as part of the Health & Safety at Work Act, Elected Members be aware of what courses were available to them; and
- any wellness initiative available to Elected Members, be included in the Elected Members' Induction pack.

It was advised an email would be sent out to all Elected Members summarising what wellness initiatives were available for them.

MOVED (Tuck/Vining)

That the Audit and Risk Committee notes the Health and Safety Quarterly Report included as Appendix 1 to Report CE-17-173.

CARRIED

MOVED (Tuck/Cootes)

That the Audit and Risk Committee endorses the external health and safety audit referred to on page 67 of this report (CE-17-173).

CARRIED

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ARC 17/04/021

CONFIRMATION OF MINUTES – 16 February 2017

Members were advised that a report back on specific risk, including key learnings, would be prepared for the next meeting.

MOVED (Tuck/Vining)

That the minutes of the Audit and Risk Committee meeting held on 16 February 2017 be adopted as a true and correct record.

CARRIED

ARC 17/04/022

PUBLIC EXCLUDED RESOLUTION

MOVED (Cootes/Tuck)

That the Audit and Risk Committee move into a Public Excluded meeting:

PUBLIC EXCLUDED RESOLUTION		
<p>That, pursuant to Section 48 of the Local Government Official Information and Meetings Act 1987, the public now be excluded from the meeting for the reasons given below, while the following matters are considered:</p> <ul style="list-style-type: none"> • Update on Statutory Compliance Issues, Investigations and the Status of Council Bylaws for 1 January 2017 to 31 March 2017 (SP-17-171) • Weathertight Claims Update (RS-17-178) • Confirmation of Public Excluded Minutes – 16 February 2017 <p>The general subject of each matter to be considered, while the public are 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 are as follows:</p>		
General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Grounds under Section 48(1) for the passing of this resolution
<p>Update on Statutory Compliance Issues, Investigations and the Status of Council Bylaws for 1 January 2017 to 31 March 2017 (SP-17-171)</p>	<p>Section 7(2)(f)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any persons to whom section 2(5) of this Act applies, in the course of their duty.</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.</p>

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General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Grounds under Section 48(1) for the passing of this resolution
Weathertight Claims Update (RS-17-178)	Section 7(2)(f)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any persons to whom section 2(5) of this Act applies, in the course of their duty.	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.
Confirmation of Public Excluded Minutes - 16 February 2017	Section 7(2)(a) – to protect the privacy of natural persons. Section 7(2)(f)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between or to members or officers or employees of any local authority ... in the course of their duty.	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.

CARRIED

The Audit and Risk Committee moved into a public excluded session at 12.50pm.

The Audit and Risk Committee came out of public excluded session at 1.16pm.

The following report (including Appendix B) and resolutions were released from the public excluded part of the meeting:

UPDATE ON STATUTORY COMPLIANCE ISSUES, INVESTIGATIONS AND THE STATUS OF COUNCIL BYLAWS FOR 1 JANUARY 2017 TO 31 MARCH 2017 (SP-17-171)

MOVED (Mayor/Vining)

That the Audit and Risk Committee:

- **note that there was one statutory compliance issue associated with the ‘key’ acts identified in the third quarter of the 2016/17 year.**
- **note the current status of Ombudsman and Privacy Commissioner investigations, official information requests, bylaws and litigation;**

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- agree that this report, appendix (B) and resolutions only be released from public excluded business; and
- agree that appendices (A) and (C) be excluded from public release.

CARRIED

The Audit and Risk Committee meeting closed at 1.16pm.

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Chairperson

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Date