

Audit and Risk Subcommittee Minutes

Meeting held in the Council Chamber
36 Water Street, Whangārei
on Wednesday 24 June 2020, commencing at 1.00pm

Present:

Chair, Councillor Colin Kitchen
Councillor John Bain
Councillor Amy Macdonald
Councillor Joce Yeoman
Ex officio Councillor Penny Smart
Independent Audit & Risk Advisor Danny Tuato'o

In Attendance:

Full Meeting

Chief Executive Officer Malcolm Nicolson
Councillor Rick Stolwerk
GM Environmental Services Bruce Howse
GM Corporate Excellence Dave Tams
Finance Manager Simon Crabb
Corporate Systems Champion Kym Ace
PA Corporate Excellence Judy Graham

Part Meeting

Rivers and Natural Hazards Manager Joseph Camuso
Online Services Officer Jalissa Karena-Lange
Finance Accountant Vincent McColl
River Management Engineer Barney Brotherhood

The Chair declared the meeting open at 13.01pm.

Apologies (Ngā whakapahā) (Item 1.0)

Independent Financial Advisor Geoff Copstick

Declarations of Conflicts of Interest (Nga whakapuakanga) (Item 2.0)

It was advised that members should make declarations item-by-item as the meeting progressed.

Risk Management update (Item 3.0)

ID: A1329034

Report from Kym Ace, Corporate Systems Champion

Recommendation

That the presentations:

- 1 Risk Management update.
be received.

Corporate System Champion Kym Ace gave an update on the risk management and a demonstration on the new risk register management tool (Promapp) that has been implemented to monitor and manage risks within the organisation.

- To date twenty-three risks have been entered into the new Corporate risk register.
- Detailed reports can be produced within the register to show risk scores which highlights the high to low residual risk.
- There is the ability to deep dive for the risk treatment and who is responsible to sign off.
- Implementation plan to be completed this includes document process, training, embedding risk management and formalised reporting.
- ELT reviews the risk register on a quarterly basis
- Target date to complete transfer of all risk to the new risk register is by the first week of August 2020.
- Risks that have been identified by Councillors can raised at any council meeting, which is then captured in the minute's/action sheet. Can also be noted in the Chief Executive report to chair report under policy risk management compliance session.

Awanui River Project update (Item 4.0)

ID: A1329037

Report from Joseph Camuso, Rivers & Natural Hazards Manager

Recommendation

That the presentations:

- 1 Awanui River Project update
be received.

Rivers and Natural Hazards Manager Joseph Camuso gave a presentation update on the Awanui river project.

- Works being completed are stopbank benching, flood walls, and spillways.
- Currently 1 year behind schedule and under budget by \$1,626,435 this will change once the project is back on schedule.
- Top four risk listed are Landowners, Geotechnical, Archaeology and Resource Consenting.

Confirmation of Minutes -15 April 2020 (Item 5.1)

ID: A1327159

Report from Judith Graham, Corporate Excellence P/A

Moved (Kitchen / Bain)

That the minutes of the Audit and Risk Subcommittee meeting held on 15 April 2020 be confirmed as a true and correct record.

Carried

Secretarial Note: 1.47pm Peter Gulliver from Deloitte join the meeting by Zoom.

2019-20 Annual Report: Timetable and Deloitte Planning Report (Item 6.1)

ID: A1329230

Report from Simon Crabb, Finance Manager

That the report '2019-20 Annual Report: Timetable and Deloitte Planning Report' by Simon Crabb, Finance Manager and dated 18 June 2020, be received.

Auditor Peter Gulliver from Deloitte spoke to the Subcommittee regarding the Northland Regional Council planning report for the year ended 30 June 2020, and highlighted key areas of focus.

- Key areas in annual report include investment property revaluations uncertainties, level of provisioning for debtors and rates receivables, wage subsidies claimed & grants received disclosed in the financial statement.
- Officer of the Auditor General required all audit report for public entities to make reference to Covid 19, and in particular draw attention to the disclosure made in the annual report through an "emphasis of matter" paragraph to be included in the audit report. Deloitte to work with management to ensure an appropriate level of disclosure.

\$10M Loan Repayment (Item 6.2)

ID: A1328789

Report from Simon Crabb, Finance Manager

Moved (Bain / McDonald)

That the report '\$10M Loan Repayment' by Simon Crabb, Finance Manager and dated 17 June 2020, be received.

Endorsed recommendation to take to council. It is proposed that the \$10M corporate loan is repaid and a subsequent loan of \$5.2M is taken with the Local Government Funding Agency (LGFA). The borrowing reduction of \$4.8M represents the net funds held by council that are dedicated to repaying debt.

Carried

Finance Manager Simon Crabb made note that every loan debt council has there is a corresponding funding source scheduled for repayment of the principal amount.

- Report will be revised once goes to full council due to charitable donation of \$549,000 in May 2019.
- Average Cost of borrowing is currently 4.24% will drop to 3.87% locked in until 2032

Chair acknowledged the great work done by finance team working remotely during the Covid 19 lockdown very much appreciated.

- Further discussion around each loan/repayment to be had at Long term plan stage as requested by Ex officio Councillor Penny Smart.

Local Government Funding Agency: Becoming a Guaranteeing Member (Item 6.3)

ID: A1328791

Report from Simon Crabb, Finance Manager

1. That the report 'Local Government Funding Agency: Becoming a Guaranteeing Member' by Simon Crabb, Finance Manager and dated 17 June 2020, be received.
2. That a legal review is undertaken on the legal documents required to be executed to become a guaranteeing member of the LGFA.
3. That, subject to a satisfactory legal review, the Subcommittee endorse a recommendation to full council that Northland Regional Council becomes a guaranteeing member of the LGFA.

Finance Manager Simon Crabb explained to the Subcommittee regarding becoming a Guaranteeing member of the Local Government Funding Agency.

- Full risk assessment completed by PricewaterhouseCooper dated 18 June 2020
- Northland Regional Council are considering raising additional external debt with the LGFA once pass threshold of \$20 million of borrowing through the LGFA they are required to become a guaranteeing member of the LGFA as per the Foundation Policy requirement of the LGFA.

All Subcommittee member agreed to take to points 2 & 3 to full council.

Interest Rate for Special Reserves in Surplus (Item 6.4)

ID: A1289797

Report from Vincent McColl, Financial Accountant

1. That the report 'Interest rate for special reserves in surplus' by Vincent McColl, Financial Accountant and dated 18 June 2020, be received.
2. That the Audit and Risk Subcommittee endorse a recommendation to full council that the 90-day bank bill rate plus 3% per annum will be used to calculate the interest attributable to special reserves with balances in excess of \$50,000, reset annually on 1 July.

Recommendation to be from 1 July 2020 due to administrative impact two weeks before audit. All subcommittee members agreed.

New Regional Rating Collection Reporting (PowerBi Demo) (Item 6.5)

ID: A1328939

Report from Simon Crabb, Finance Manager

That the report 'New Regional Rating Collection Reporting (PowerBi Demo)' by Simon Crabb, Finance Manager and dated 17 June 2020, be received.

Finance Manager Simon Crabb gave the Subcommittee an update on the rates collection and noting in better shape than expected will know more after the first quarter. Demonstration given on the (PowerBI tool) on the Regional Rates Collection

- Quarterly report will be issued to full council.
- Detailed report can be produced for each of the three districts.

Conclusion

The meeting concluded at 14.37pm.

Unconfirmed Minutes