

Audit and Risk Subcommittee Minutes

Meeting held in the Held remotely
on Wednesday 30 March 2022, commencing at 10.00am

Tuhinga/Present:

Chairperson, Colin Kitchen
Councillor Amy Macdonald
Councillor Joce Yeoman
Councillor Rick Stolwerk
Ex-Officio Penny Smart
Independent Audit & Risk Advisor Danny Tuato'o
Independent Finance Advisor Stuart Henderson

I Tae Mai/In Attendance:

Full Meeting

Pou Taumatua - GM Corporate Services – Bruce Howse
Tumuaki – Chief Executive Officer – Malcolm Nicolson
Finance Manager – Simon Crabb
Personal Assistant Corporate Services – Judy Graham

Part Meeting

Human Resources Manager – Beryl Steele
Corporate Systems Champion – Kym Ace
Corporate Strategy Manager – Kyla Carlier
Deloitte Partner – Peter Gulliver
Deloitte Forensic I Risk Advisory – Ian Tuke
Deloitte Associated Director I Forensic I Risk Advisory – Dominic Salmon

The Chair declared the meeting open at 10.03am with a Karakia by Independent Audit & Risk Advisor

Ngā Mahi Whakapai/Housekeeping (Item 1.0)

Ngā whakapahā/Apologies (Item 2.0)

There were no apologies.

Nga whakapuakanga/Declarations of Conflicts of Interest (Item 3.0)

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

Confirmation of Minutes - 24 November 2021 (Item 4.1)

Report from Judith Graham, Corporate Services P/A

Moved(Smart / Yeoman)

That the minutes of the Audit and Risk subcommittee meeting held on 24 November 2021 be confirmed as a true and correct record.

Carried

Internal Audit Schedule (Item 5.1)

Report from Judith Graham, Corporate Services P/A

Moved (Kitchen / Macdonald)

That the report 'Internal Audit Schedule' by Judith Graham, Corporate Services P/A and dated 11 January 2022, be received.

Carried

Secretarial Note: Item 5.2 Audit Fee Proposal For Year Ending 30 June 2022 and 30 June 2023 was addressed following Item 5.3 Deloitte -Fraud and Corruption Risk Assessment

Audit Fee Proposal For Year Ending 30 June 2022 and 30 June 2023 (Item 5.2)

Report from Bruce Howse, Pou Taumatua – Group Manager Corporate Services

Moved (Stolwerk / Smart)

1. That the report 'Audit Fee Proposal For Year Ending 30 June 2022 and 30 June 2023' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 11 February 2022, be received.
2. That the subcommittee recommend to council the approval of **base** audit fees of \$156,300 for FY22 and a further \$15k in audit fees for the Enterprise Project implementation workstream.
3. That the subcommittee recommend to council the approval of **base** audit fees of \$178,800 for FY23 and a further \$25k in audit fees for the Enterprise Project implementation workstream.
4. That the subcommittee recommend to council the agreement in principle to the approach outlined in the **attached** Deloitte proposal for the setting of audit fees for FY24 and FY25.

Carried

Northland Regional Council counteroffer 2023 audit fees was accepted by Deloitte and approved by the AOG.

Fee proposal for 2023 has now been included.

Setting principles and guidelines on fees going forward 2024 and 2025.

Deloitte Partner Peter Gulliver advised the Subcommittee that he would be stepping down at the end of this year due to the rotation rule.

Deloitte - Fraud and Corruption Risk Assessment (Item 5.3)

Report from Simon Crabb, Finance Manager

Moved (Stolwerk / Smart)

1. That the report 'Deloitte - Fraud and Corruption Risk Assessment' by Simon Crabb, Finance Manager and dated 11 January 2022, be received.

Carried

Secretarial Note: additional recommendation added to item 5.3

Moved (Kitchen / Smart)

2. Subcommittee support the implementation of the recommendation outlined in the fraud and corruption report by Deloitte.

Carried

Deloitte Forensic I Risk Advisory Ian Tuke and Deloitte Associated Director I Forensic I Risk Advisory Dominic Salmon went through the fraud and corruption risk assessment presentation with the subcommittee which included the fraud gap analysis, survey and workshops outcomes.

Actions:

- Councillors to receive fraud awareness training 2-3 hour workshop
- Complete review of strengthen the Fraud limitation officer role – and who they report to in the organisation.
- Continue with implementation of the whistle blower independent phone line.
- GM Corporate Services to start implementing recommendations from the Deloitte fraud and corruption risk assessment report outlined on pages 34-36 of the report.

Internal Audit Update - Kaipara District Council Rating Review (Item 5.4)

Report from Simon Crabb, Finance Manager

Secretarial Note: Subcommittee confirms receiving via email Tuesday 29 March updated Rates review – Kaipara District Council.

Moved (Stolwerk / Kitchen)

That the report 'Internal Audit Update - Kaipara District Council Rating Review ' by Simon Crabb, Finance Manager and dated 4 March 2022, be received.

Carried

Deloitte Partner – Peter Gulliver spoke to the subcommittee on the finding of the recent Kaipara District Council review.

Finding were consistent to that of Far North District Council is that far to many people had access to the rating system. Deloitte has recommended and Kaipara District Council has agreed to reduce the number of staff having access to the rating system.

Deloitte Partner – Peter Gulliver highlighted to the Subcommittee the issue with the Kaipara District Council Rating system on the allocation of part payments, with part payments first allocated to Kaipara District Council.

Action:

- GM Corporate Services to follow up on Far North District Council on the progression on modifying their rating system.
- Rating service agreements to be modified to include appropriate allocation methodology for 2022/2023 of all Territorial Authorities.

Internal Audit Maturity Assessment (Item 5.5)

Report from Bruce Howse, Pou Taumatua – Group Manager Corporate Services

1. That the report 'Internal Audit Maturity Assessment' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 12 January 2022, be received.

Subcommittee have agreed not to accept item 5.5 Internal Audit Maturity Assessment report as general consensus of the Subcommittee felt there was missing information that would have likely alter the outcome of the assessment.

Moved (Stolwerk/Smart)

Internal Audit Maturity Assessment (item 5.5) to remain laid on the table until a further review has been completed.

Carried

Action: GM Corporate Services, Chief Executive Officer, Independent Audit & Risk Advisor Independent Finance Advisor to meet with Deloitte Partner – Peter Gulliver for future discussion and tightening up the wording on the report.

Investment Policy Revision - Incorporate Protocols for Reporting Investment Fund Gains/Losses (Item 5.6)

Report from Simon Crabb, Finance Manager

Moved (Kitchen / Stolwerk)

1. That the report 'Investment Policy Revision - Incorporate Protocols for Reporting Investment Fund Gains/Losses' by Simon Crabb, Finance Manager and dated 15 March 2022, be received.
2. That the subcommittee endorse that the proposed changes presented in this report are incorporated into councils Investment Policy

Carried

Action:

- Gains and losses to be explained to whole Council for a better understanding on the long term investment.
- More thinking to be done around the amount of reserve to be transferred – historical gains last 3 to 5 year and report back to the subcommittee.

Local Government Funding Agency (LGFA) Presentation & Funding Strategy Considerations (Item 5.7)

Report from Simon Crabb, Finance Manager

Moved (Kitchen /Stolwerk)

That the report 'Local Government Funding Agency (LGFA) Presentation & Funding Strategy Considerations' by Simon Crabb, Finance Manager and dated 17 March 2022, be received.

Carried

Finance Manager spoke to the Subcommittee and highlighted it would be more prudent for Council to consider using own council money to fund project instead of borrowing funds from the Local Government Funding Agency when interest rates hit a certain threshold.

Action: Workshop and work with the Investment and Property Subcommittee to look at a new long term strategy on how we fund projects in a changing environment.

Risk Management Activity Update (Item 5.8)

Report from Kym Ace, Corporate Systems Champion

Moved (Stolwerk / Macdonald)

1. That the report 'Risk Management Activity Update' by Kym Ace, Corporate Systems Champion and dated 2 December 2021, be received.
2. That changes to the Risk Management Policy and Framework be approved

Carried

Corporate Systems Champion spoke to the subcommittee about the Risk management activity.

Action:

- Review item 5 Investment portfolio financial risk.
- Councillor Smart to meet with Independent Audit & Risk Advisor Danny Tuato'o and Chief Executive Office to do more work on overview of the inherit risk and residual risks and take back to Council.

Risk Deep Dive on workload and Capability and Operational capacity to manage events and directives (Item 5.9)

Report from Kym Ace, Corporate Systems Champion

Moved (Stolwerk / Smart)

- 12.261. That the report 'Risk Deep Dive on workload and Capability and Operational capacity to manage events and directives' by Kym Ace, Corporate Systems Champion and dated 11 January 2022, be received.

Carried

Corporate Systems Champion advised that the two deep dive completed were amalgamated together due to overlap.

GM Corporate Service advised the Subcommittee on work the Executive leadership team is doing around staff workloads as this again has been identified as one of the top staff stress indicated in the all staff stress survey.

Subcommittee support the work and treatment that has been noted in the report.

Action: Executive leadership team to bring back to council to workshop on what work has been identify that potentially staff can stop, pause, defer.

Health and Safety Update (Item 5.10)

Report from Beryl Steele, Human Resources Manager

Moved (Macdonald / Stolwerk)

1. That the report 'Health and Safety Update' by Beryl Steele, Human Resources Manager and dated 2 December 2021, be received.

Carried

Human Resources Manager gave an update regarding the replacement of Health and Safety Advisor role currently unable to find person who is the right fit for the organisation.

Action: Human Resources Manager to relook at risk ranking Extended workload/stress as noted as a residual score 9.

Insurance Summary 2021/2022 (Item 5.11)

Report from Judith Graham, Corporate Services P/A

Moved (Stolwerk / Macdonald)

That the report 'Insurance Summary 2021/2022' by Judith Graham, Corporate Services P/A and dated 11 January 2022, be received.

Carried

GM Corporate Service advise the subcommittee that there has been an 8.1% increase in the insurance premium.

Kaupapa ā Roto/Business with Public Excluded (Item 6.0)

Moved (Stolwerk / Macdonald)

1. That the public be excluded from the proceedings of this meeting to consider confidential matters.
2. That the general subject of the matters to be considered whilst the public is excluded, the reasons for passing this resolution in relation to this matter, and the specific grounds under the Local Government Official Information and Meetings Act 1987 for the passing of this resolution, are as follows:

Item No.	Item Issue	Reasons/Grounds
6.1	Confirmation of Confidential Minutes - 24 November 2021	The public conduct of the proceedings would be likely to result in disclosure of information, as stated in the open section of the meeting -.

6.2	Cyber Security update	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(b)(ii) and the withholding of which is necessary to prevent the disclosure or use of official information for improper gain or improper advantage s7(2)(j).
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3. That the Independent Advisors be permitted to stay during business with the public excluded.

Carried

Whakamutunga (Conclusion)

The meeting concluded at 12.29pm led by a Karakia by Independent Audit & Risk Advisor Danny Tuato'o .