

**TAUPŌ DISTRICT COUNCIL
MINUTES OF THE AUDIT & RISK COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, 107 HEUHEU STREET, TAUPŌ
ON MONDAY, 11 MARCH 2019 AT 10.00AM**

- PRESENT:** Mr Anthony Byett (in the Chair), Cr Barry Hickling, Cr Rosie Harvey, Cr Anna Park, Cr Maggie Stewart
- IN ATTENDANCE:** Chief Executive, Head of Regulatory & Risk, Head of Finance & Strategy, Head of Operations, Head of Democracy, Governance & Venues, Infrastructure Manager, Manager Legal & Compliance, Risk Manager, Consents & Regulatory Manager, Building Technical Specialist, Democratic Services Officer
- MEDIA AND PUBLIC:** Messrs Matthew Wilson and Andrew Carlson, AON Insurance

1 APOLOGIES

AR201903/01 RESOLUTION

Moved: Cr Barry Hickling
Seconded: Cr Maggie Stewart

That the apologies received from His Worship the Mayor, David Trewavas and Cr Rosanne Jollands be accepted.

CARRIED

2 CONFLICTS OF INTEREST

Nil

3 CONFIRMATION OF MINUTES

3.1 AUDIT & RISK COMMITTEE MEETING - 29 OCTOBER 2018

AR201903/02 RESOLUTION

Moved: Cr Anna Park
Seconded: Cr Barry Hickling

That the minutes of the Audit & Risk Committee meeting held on Monday 29 October 2018 be confirmed as a true and correct record.

CARRIED

4 REPORTS

4.1 PRESENTATION FROM AON - INSURANCE MARKET

Mr Matthew Wilson made a PowerPoint presentation (A2422513) and answered questions. The following points were noted:

- The period 2006-2016 was a relatively benign period for the insurance market globally. 2017 was the worst year on record for insurers and the main reason for this was extreme weather events as a result of climate change.
- Major earthquakes could also compromise local councils ability to buy insurance cover.

- There had been significant increases in liability premiums recently. Councils around the country had lodged large claims and were often the 'last man standing' in legal claims.
- Over the last four years, three insurers had received instructions not to write any more business with councils.
- The 'knowledge gap' was relevant in the infrastructure space, including above-ground mapping.
- Low value, high frequency losses were of most concern. What was Taupō District Council prepared to retain at its own risk, to reduce insurance premiums?
- The current 60:40 cost recovery arrangement with central government did not cover all costs incurred by a local authority in an event.
- Loss modelling would help inform future risk financing adequacy; accuracy of assumptions was also very important.
- Emerging risks included environmental impairment (pollution excluded unless sudden loss); and counterfeit / defective products.
- Flooding was a potential issue for inland councils as well as coastal councils.
- There was no difference from an insurance perspective between a council owning a civic administration building as opposed to leasing one.

In answer to a question, the Consents & Regulatory Manager confirmed that staff in the building team were aware of the need to look out for counterfeit and defective products.

AR201903/03 RESOLUTION

Moved: Cr Rosie Harvey

Seconded: Cr Anna Park

That the Audit & Risk Committee receives the information and thanks the AON representatives for their presentation.

CARRIED

4.2 MBIE AUDIT OF BUILDING ACT TERRITORIAL FUNCTIONS

The Consents & Regulatory Manager summarised the report and answered questions. The following points were noted:

- The IANZ audit of Taupō District Council had taken place the previous week. IANZ auditors had spent 3-4 days at Council and the report was due in 2-3 weeks. They had indicated that Taupō District Council would maintain its accreditation and staff were considering the auditors' suggestions for improvement.
- Although issued in November 2017, staff had waited until all actions had been completed before presenting the MBIE audit to the Committee.
- Staff aimed to audit around 25% of independent qualified person inspections.
- It had taken time to update compliance schedules, because resources were limited and the priority was ensuring buildings were safe.
- Two members of the business support team had up-skilled to assist the Building Technical Specialist.
- The Building Technical Specialist could not visit every site, but it was more efficient for him to accompany independent qualified persons on complex site visits.
- Buildings to which the public had access were required to have warrants of fitness.

The Chief Executive added that Taupō District Council's building consent timeframes were excellent.

AR201903/04 RESOLUTION

Moved: Cr Barry Hickling
Seconded: Cr Rosie Harvey

That the Audit & Risk Committee receives the results of the MBIE audit dated 1 December 2017.

CARRIED

4.3 S&P RATING UPGRADE TO OUTLOOK POSITIVE

In answer to a question, the Head of Finance & Strategy advised that the positive rating was due in part to the changes Council had made to its financial strategy 8-10 years ago.

A member asked for Council to publicise the 'good news' story about the organisation's finances in a simple manner, to better inform people in the community that the financial outlook was a lot better than they may think. The Chief Executive advised that he would discuss this with the Head of Communications & Customer Relations.

AR201903/05 RESOLUTION

Moved: Cr Maggie Stewart
Seconded: Cr Anna Park

That the Audit & Risk Committee receives the S&P research update report revising Taupō District Councils credit rating from AA stable outlook to AA positive outlook [A2406317] and their subsequent media release [A2406325].

CARRIED

4.4 ASSET MANAGEMENT PLANS - PEER REVIEW REPORT

The Infrastructure Manager introduced the report and answered questions. The following points were noted:

- Audit New Zealand had not provided any suggestions for improvement as a result of the audit of asset management plans via the audit of the Long-term Plan 2018-28.
- The approach to scoring was not about what level the asset management plan should be at; rather the focus was on what it is, and what may be missing from it. Missing references would have an impact on the score, but would be simple to fix up.
- No significant issues with Taupō District Council's asset management plans had been identified as a result of the audit.
- Council did not have a sustainability policy at present, although it was already a consideration for staff managing projects.

AR201903/06 RESOLUTION

Moved: Cr Barry Hickling
Seconded: Cr Anna Park

That the Audit & Risk Committee receives the Asset Management Peer Review Report (A2353516)

CARRIED

4.5 NEW ZEALAND TRANSPORT AGENCY INVESTMENT AUDIT REPORT

The Infrastructure Manager introduced the report and answered questions. The following points were noted:

- The frequency of NZTA audits of Taupō District Council (up to 10 years) indicated that this particular council was considered to be 'low risk'.

- The audit had taken place in winter, when the roading network (particularly unsealed roads) was not looking its best.
- Improvements were being made to data reporting.
- Overall the auditors were happy. They had identified things to be reported back to them by June 2019.
- Taupō District Council had a strong seal extension programme. Unsealed roads or parts of roads were difficult to maintain.

AR201903/07 RESOLUTION

Moved: Cr Maggie Stewart

Seconded: Cr Barry Hickling

That the Audit & Risk Committee receives the NZTA Investment Audit Report (A2371749)

CARRIED

4.6 6 MONTHLY REVIEW OF SENSITIVE EXPENDITURE**AR201903/08 RESOLUTION**

Moved: Cr Anna Park

Seconded: Cr Rosie Harvey

That the Audit & Risk Committee receives the information in the Sensitive Expenditure Report Feb 2019 (A2407530) for the period 1 July 2018 to 31 December 2018.

CARRIED

4.7 ADOPTION OF ASSET DISPOSAL POLICY**AR201903/09 RESOLUTION**

Moved: Cr Anna Park

Seconded: Cr Barry Hickling

That the Audit & Risk Committee recommends to Council that the proposed Asset Disposal Policy 2019 (A2376362) be adopted.

CARRIED

4.8 REVIEW OF GOVERNANCE RISKS

The Risk Manager summarised the report and attached analysis of the following risks: legal liabilities; inadequate strategic planning; underperforming Council; and not meeting obligations as the employer of the Chief Executive.

AR201903/10 RESOLUTION

Moved: Cr Rosie Harvey

Seconded: Cr Maggie Stewart

That the Audit & Risk Committee receives the review of governance risk report.

CARRIED

4.9 AUDIT & RISK COMMITTEE SCHEDULE OF POLICIES FOR REVIEW

Members agreed to add the Asset Disposal Policy to the schedule of policies for review.

In relation to the Committee's Terms of Reference, members asked the Head of Democracy, Governance & Venues to facilitate a discussion about the Terms of Reference, suggestions from which could be referred to the incoming Council following the October 2019 elections.

AR201903/11 RESOLUTION

Moved: Cr Rosie Harvey

Seconded: Cr Anna Park

That the Audit & Risk Committee receives the Schedule of Policies for review (A2411544).

CARRIED

5 CONFIDENTIAL BUSINESS

AR201903/12 RESOLUTION

Moved: Mr Anthony Byett

Seconded: Cr Anna Park

RESOLUTION TO EXCLUDE THE PUBLIC

I move that the public be excluded from the following parts 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 are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
Agenda Item No: 5.1 Confirmation of Confidential Portion of Audit & Risk Committee Minutes - 29 October 2018	Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	Section 48(1)(a)(i)- the public conduct of 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 under section 7
Agenda Item No: 5.2 Litigation Update	Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	Section 48(1)(a)(i)- the public conduct of 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 under section 7

CARRIED

The meeting closed at 11.51am.

The minutes of this meeting were confirmed at the Audit & Risk Committee meeting held on 10 June 2019.

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CHAIRPERSON