



**WHANGANUI
DISTRICT COUNCIL**
Te Kaunihera a Rohe o Whanganui

MINUTES

**Audit and Risk Committee Meeting
3 December 2020**

Order Of Business

1	Opening Prayer / Karakia	3
2	Apologies.....	3
3	Declarations of Interest.....	3
4	Confirmation of Minutes.....	4
4.1	Minutes of the Audit and Risk Committee Meeting held on 3 September 2020	4
5	Reports to Committee.....	4
5.1	Insurance Update - December 2020	4
5.2	Draft Treasury Policies.....	5
5.3	Internal Audit Reviews - Short Form Consultant Engagement Contracts and Leased Carpark Rentals	6
5.4	Risk Management Activity Report November 2020	7
5.5	Legal Compliance Programme Summary 2019-2020.....	8
5.6	Corrective Action Update Report November 2020.....	8
6	Motion to Exclude Public.....	9

**MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING
HELD IN THE NAGAIZUMI-CHO ROOM, 101 GUYTON STREET, WHANGANUI
ON 3 DECEMBER 2020 AT 1.00PM**

PRESENT: Deputy Mayor Jenny Duncan, Cr Kate Joblin, Cr James Barron, Cr Josh Chandulal-Mackay (from 1.07pm), Independent Member Susan Kosmala, Independent Member Mike Timmer

APOLOGIES: Mayor Hamish McDouall

IN ATTENDANCE: Cr Helen Craig, Cr Alan Taylor, Mike Fermor (General Manager Finance), Debbie Watson (Risk Manager), Lance Kennedy (Chief Operating Officer), Mark Hughes (General Manager, Infrastructure from 2.14pm), Leighton Toy (General Manager, Property and Projects), Hamish Lampp (Group Manager, Regulatory and Planning Group), Marianne Cavanagh (Group Manager, Customer Experience), Catherine Dutton (General Manager, People and Performance), Stephanie MacDonald-Rose (Group Manager, Corporate), , Sarah Pomeroy (Communications and Marketing Manager), Hayley Fitzgerald (Democracy Support Officer), Shaona Raj (Democracy Support Officer)

1 OPENING PRAYER / KARAKIA

Cr Jenny Duncan read the Prayer.

2 APOLOGIES

Apology

Committee Resolution ARC/2020/25

Moved: Deputy Mayor Jenny Duncan

Seconded: Cr Kate Joblin

That the Audit and Risk Committee accepts the apology of Mayor Hamish McDouall and grants him leave of absence for this meeting.

CARRIED

Chief Executive Kym Fells apology for absence was noted.

3 DECLARATIONS OF INTEREST

There were no new declarations of interest.

4 CONFIRMATION OF MINUTES

4.1 MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 3 SEPTEMBER 2020

Author: Hayley Fitzgerald - Democracy Support Officer

Authoriser: Kate Barnes - Senior Democracy Advisor

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Committee Resolution ARC/2020/26

Moved: Cr Kate Joblin

Seconded: Cr James Barron

That the minutes of the Audit and Risk Committee Meeting held on 3 September 2020 are confirmed as a true and correct record

CARRIED

5 REPORTS TO COMMITTEE

5.1 INSURANCE UPDATE - DECEMBER 2020

Author: Mike Fermor - Chief Financial Officer

Authoriser: Kym Fell - Chief Executive

Discussion

Steve Kane and Sam Ketley from AON Insurance gave a presentation on current market conditions. There has been a significant increase in insurance premiums for the Council's professional indemnity insurance and market damage-business interruption insurance.

The increase in insurance premiums is largely due to decreased profit performance from insurance companies. This has been attributed to increased claims and reduced profits as a result of climate change and large scale weather events. In the field of professional indemnity insurance, there has been a decrease in market capacity due to an increase in claims. However, new companies are coming into the market and this presents potential for a decrease in premiums in future.

The Chief Financial Officer (CFO) discussed possible next actions. In order to mitigate the rise in premiums, Council need to identify what risks to be insured and continue to update risk information records. There is currently no comprehensive insurance strategy at present. The CFO noted his intention to return to the committee with a recommended Insurance Strategy.

Steve and Sam were thanked for their attendance.

Committee Resolution ARC/2020/27

Moved: Deputy Mayor Jenny Duncan

Seconded: Cr Kate Joblin

That the Audit and Risk Committee receive the report – Insurance Update – December 2020.

CARRIED

References

- 1 AON Insurance - Insurance Update Dec 2020

5.2 DRAFT TREASURY POLICIES

Author: Mike Fermor - Chief Financial Officer

Authoriser: Kym Fell - Chief Executive

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Discussion

Brett Johansen from PwC presented on current market conditions. The effects of COVID-19 are still being felt but are not as significant as originally anticipated. Treasury has focused on providing stimulatory market conditions and this emphasis is likely to continue to do so over an extended period of time.

Consumer confidence is still negative but is slowly recovering. Unemployment is currently high and is set to rise. On a more positive note, New Zealand commodity prices are stable. However, the New Zealand dollar needs to stay weak to keep our commodity prices affordable to COVID-hit markets.

PwC and Council's CFO meet monthly to discuss liability, risk policies, investment and compliance with policies.

Mike Timmer asked whether a debt to revenue limit of 200% in the liability management policy was okay in light of the Long Term Plan. He also asked who has the delegation to raise debt. The Chief Executive and Chief Financial Officer have a daily limit of \$20m and \$10m respectively for raising debt.

Susan Kosmala raised a question about whether the Council have an ethical borrowing and lending policy; Council does not. It was also noted that some councils around NZ have chosen to shy away from banks who invest in oil and gas companies.

Brett Johansen was thanked for his attendance.

Committee Resolution ARC/2020/28

Moved: Independent Member Mike Timmer

Seconded: Cr James Barron

That the Audit and Risk Committee receive the Draft Liability Management Policy 2020 and Draft Investment Policy 2020 with tracked amendments

CARRIED

Committee Resolution ARC/2020/29

Moved: Independent Member Mike Timmer

Seconded: Cr James Barron

That Council:

- (a) Adopts the Draft Liability Management and Investment Policies.
- (b) delegates to the Chief Executive and the Chief Financial Officer the following delegations:
 - (i) Approval for providing security stock as security over borrowing
 - (ii) Re-financing existing debt
 - (iii) Adjust net debt interest rate risk profile within the risk control limits stated within the Liability Management Policy
 - (iv) Manage funding maturities within the risk control limits stated within the Liability Management Policy
 - (v) Negotiation and ongoing management of lending arrangements to Council Controlled Organisations and Council Controlled Trading Organisations within the risk control limits stated within the Liability Management Policy
 - (vi) Manage borrowing, interest rate and foreign exchange risk management (excludes roll-overs on floating rate debt and interest rate roll-overs on swaps) up to a daily transaction amount delegation to the Chief Executive of \$20M and delegations to the Chief Financial Officer of \$10M.
 - (vii) Authorising lists of bank signatories including seal register signatories
 - (viii) Opening and closing bank accounts
- (c) Delegates to the Chief Executive and the General Manager Property & Projects delegated authority for divestment of minor parcels of lands or parts of land, easements and licences up to the Chief Executives financial delegation and which are not significant as per Council's Significance and Engagement Policy.

CARRIED

References

- 1 PWC Presentation - Treasury Update
- 2 Draft Investment Policy 2020 - Tracked Changes
- 3 Draft Liability Management Policy 2020 - Tracked Changes

5.3 INTERNAL AUDIT REVIEWS - SHORT FORM CONSULTANT ENGAGEMENT CONTRACTS AND LEASED CARPARK RENTALS

Author: Mike Fermor - Chief Financial Officer

Authoriser: Kym Fell - Chief Executive

Discussion

Rachael Dean from CKS Audit presented. She recommended that Council use purchase orders far more widely than at present; and use the standard short form agreement template, not variations thereof. She also stated that the corrective action report was an opportunity to make amendments.

Susan Kosmala stated that she wanted to see specific actions. It was mentioned that corrective action reports specify what needs to be done, progress, and timelines for required actions.

Ms Kosmala also asked when Council would be doing the 2021 internal audit. The Risk Manager answered that it was delayed due to COVID as the current audit programme was yet to be completed. However, work was ongoing.

Rachael Dean was thanked for her attendance.

Committee Resolution ARC/2020/30

Moved: Cr Kate Joblin

Seconded: Independent Member Susan Kosmala

That the Audit and Risk Committee receive the report – Internal Audit Reviews – Short Form Consultant Engagement Contracts and Leased Carpark Rentals.

CARRIED

5.4 RISK MANAGEMENT ACTIVITY REPORT NOVEMBER 2020

Author: Debbie Watson - Risk Manager

Authoriser: Catherine Dutton - General Manager People & Performance
Mike Fermor - Chief Financial Officer

Discussion

Mike Timmer questioned whether the Committee had a part to play in determining the scope of the internal audit for 2021-2022. The Risk Manager advised that the Internal Audit was under a MWLASS contract until 30 June 2021 and Council would be guided by the decisions made by MWLASS.

Committee Resolution ARC/2020/31

Moved: Cr Kate Joblin

Seconded: Cr Josh Chandulal-Mackay

That the Audit and Risk Committee receive the report – Risk Management Activity Report November 2020.

CARRIED

5.5 LEGAL COMPLIANCE PROGRAMME SUMMARY 2019-2020

Author: Debbie Watson - Risk Manager

Authoriser: Mike Fermor - Chief Financial Officer

Discussion

Deputy Mayor Jenny Duncan asked about a reference to two pieces of legislation identified as being at highest risk of non-compliance as they were not named in the report. The legislation is Te Awa Tupua (Whanganui River Claims Settlement) Act 2017 and Local Government Official Information and Meetings Act 1987.

Committee Resolution ARC/2020/32

Moved: Cr Kate Joblin

Seconded: Independent Member Mike Timmer

That the Audit and Risk Committee receive the report – Legal Compliance Programme Summary 2019-2020.

CARRIED

5.6 CORRECTIVE ACTION UPDATE REPORT NOVEMBER 2020

Author: Debbie Watson - Risk Manager

Authoriser: Mike Fermor - Chief Financial Officer

Committee Resolution ARC/2020/33

Moved: Cr Kate Joblin

Seconded: Independent Member Susan Kosmala

That the Audit and Risk Committee receive the report – Corrective Action Update Report November 2020.

CARRIED

6 MOTION TO EXCLUDE PUBLIC**RESOLUTION TO EXCLUDE THE PUBLIC**

Section 48, Local Government Official Information and Meetings Act 1987.

Recommendation

That the public be excluded from the following parts of the proceedings of this meeting, namely items listed overleaf.

Reason for passing this resolution: good reason to withhold exists under section 7. Specific grounds under section 48(1) for the passing of this resolution: Section 48(1)(a)

Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

- “(4) Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof):
- (a) Shall be available to any member of the public who is present; and
 - (b) Shall form part of the minutes of the local authority.”

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 are as follows:

ITEM NO.	GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	SECTION	SUBCLAUSE AND REASON UNDER THE ACT	PLAIN ENGLISH REASON	WHEN REPORTS CAN BE RELEASED
7.1	Public Excluded Minutes of the Audit and Risk Committee Meeting held on 3 September 2020			Refer to the previous public excluded reasons in the agenda for this meeting.	
8.1	Strategic Risk Register Review November 2020 - Public Excluded	s7(2)(e), s7(2)(i)	Material Loss to members of the public, Negotiations	Withholding of this report with specific reference to both the insurance risk and the Three Waters reform may contribute to material loss and also impact on future negotiations should this information be made public at this time. Reasons for public excluded discussed with Rob Goldsbury - Legal Counsel	
8.2	Whanganui and Partners Risk Register November 2020	s7(2)(i)	Negotiations	Negotiations	

That Gael Deighton be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of Item 8.2. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because she is the Interim Chief Executive of Whanganui and Partners.

The meeting closed at 2.50pm.

The meeting reopened to the public at 3.30pm.

The minutes of this meeting were confirmed at the Audit and Risk Committee Meeting held on 4 March 2021.

.....

CHAIRPERSON