



**I, Steven May, Chief Executive Officer, hereby give notice that  
a Finance, Audit & Risk Committee Meeting will be held on:**

**Date: Tuesday, 18 September 2018**  
**Time: 1.30pm**  
**Location: Council Chamber, Wairoa District Council,  
Coronation Square, Wairoa**

# **AGENDA**

## **Finance, Audit & Risk Committee Meeting**

**18 September 2018**

The agenda and associated papers are also available on our website: [www.wairoadc.govt.nz](http://www.wairoadc.govt.nz)

For further information please contact us 06 838 7309 or by email [info@wairoadc.govt.nz](mailto:info@wairoadc.govt.nz)



**Order Of Business**

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- 1 KARAKIA**
- 2 APOLOGIES FOR ABSENCE**
- 3 DECLARATIONS OF CONFLICT OF INTEREST**
- 4 CHAIRPERSON'S ANNOUNCEMENTS**
- 5 LATE ITEMS OF URGENT BUSINESS**
- 6 PUBLIC PARTICIPATION**

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 14.14 requests to speak must be made to the meeting secretary at least one clear day before the meeting; however this requirement may be waived by the Chairperson.

**7 MINUTES OF THE PREVIOUS MEETING**

Ordinary Meeting - 7 August 2018

**MINUTES OF WAIROA DISTRICT COUNCIL  
FINANCE, AUDIT & RISK COMMITTEE MEETING  
HELD AT THE COUNCIL CHAMBER, WAIROA DISTRICT COUNCIL, CORONATION SQUARE, WAIROA  
ON TUESDAY, 7 AUGUST 2018 AT 1.30PM**

**PRESENT:** His Worship the Mayor Craig Little (Mayor), Cr Denise Eaglesome-Karekare (Deputy Mayor), Cr Jeremy Harker, Mr Philip Jones

**IN ATTENDANCE:** S May (Chief Executive Officer), G Borg (Chief Financial Officer), J Cox (Engineering Manager), G Waikawa (Governance Administrator),

**1 KARAKIA**

Karakia given by Councillor Denise Eaglesome-Karekare

**2 APOLOGIES FOR ABSENCE**

**APOLOGY**

**COMMITTEE RESOLUTION 2018/53**

Moved: His Worship the Mayor Craig Little

Seconded: Cr Denise Eaglesome-Karekare

That the apology received from S May be accepted and leave of absence granted.

**CARRIED**

**3 DECLARATION OF CONFLICT OF INTEREST**

P Jones declared conflict of interest - Clarification of Perceived Conflict of Interest

**4 CHAIRPERSON'S ANNOUNCEMENTS**

Workshop – Terms of Reference & Agenda Items

**5 LATE ITEMS OF URGENT BUSINESS**

**MOTION**

**COMMITTEE RESOLUTION 2018/54**

Moved: Cr Jeremy Harker

Seconded: Cr Denise Eaglesome-Karekare

That in accordance with Section 46A (7) of the Local Government Official Information and Meetings Act 1987 the item **8.2 Health & Safety - July 2018** be considered given the item had not come to hand at the time of Agenda compilation and consideration of this matter is required now in order to respond within the timeframe allowed.

**CARRIED**

**6 PUBLIC PARTICIPATION**

A maximum of 30 minutes has been set aside for members of the public to speak on any item on the agenda. Up to 5 minutes per person is allowed. As per Standing Order 14.14 requests to speak must be made to the meeting secretary at least one clear day before the meeting; however this requirement may be waived by the Chairperson.

D Caves – financial report has not been available to access since February 2018.

**7 MINUTES OF THE PREVIOUS MEETING****COMMITTEE RESOLUTION 2018/55**

Moved: Cr Denise Eaglesome-Karekare

Seconded: His Worship the Mayor Craig Little

That the minutes of the Ordinary Meeting held on 26 June 2018 and the 15 May 2018 Public Excluded Minutes had been excluded be confirmed.

**CARRIED**

**8 GENERAL ITEMS****8.1 CLARIFICATION OF PERCEIVED CONFLICT OF INTEREST****COMMITTEE RESOLUTION 2018/56**

Moved: His Worship the Mayor Craig Little

Seconded: Cr Jeremy Harker

That the Committee receive the report.

**CARRIED**

The Chief Financial Officer on behalf of the Chief Executive Officer presented the report and reported in 2017 the Wairoa Council initiated an assessment of its performance through the CouncilMARK Program. The assessors raised concerns with the FAR Committee's membership in their draft assessment report.

The Committee advised they were satisfied with the letter received from Simpson Grierson dated 3 May 2017.

Mr P Jones explained he was not the author of the Financial Strategy.

Mr P Jones abstained from voting.

**8.2 HEALTH & SAFETY REPORT - JULY 2018****COMMITTEE RESOLUTION 2018/57**

Moved: Cr Denise Eaglesome-Karekare

Seconded: Mr Philip Jones

That the Committee receive the report.

**CARRIED**

The Health & Safety Report – July 2018 was presented.

The Committee sought confirmation that when contractors who are not SiteWise accredited were no longer engaged.

The Committee also requested a health and safety audit plan that details what audits have been conducted, standard met and what audits were planned.

The chairperson expressed concerns there has been no financial reporting since 28 February 2018 and gave direction as to what needs to be put in place for the next FAR committee.

**The Meeting closed at 2.01pm with a karakia by Councillor Denise Eaglesome-Karekare.**

**The minutes of this meeting were confirmed at the Finance, Audit & Risk Committee Meeting held on 18 September 2018.**

.....

**CHAIRPERSON**



## 8 GENERAL ITEMS

### 8.1 COMMITTEE TERMS OF REFERENCE REVIEW AND WORK PROGRAMME

**Author:** Gary Borg, Chief Financial Officer  
**Authoriser:** Steven May, Chief Executive Officer  
**Appendices:** 1. Terms of Reference Review [↓](#)  
2. Annual Work Programme [↓](#)

#### 1. PURPOSE

- 1.1 The purpose of this report is to present documentation supporting the Committee's ongoing remit of risk management.

#### RECOMMENDATION

The Chief Financial Officer RECOMMENDS that the Committee:

1. Considers the proposed amendments to its terms of reference for presentation to Council
2. Adopts the proposed work programme

#### EXECUTIVE SUMMARY

#### 2. BACKGROUND

- 2.1 It is considered good practice for a committee's terms of reference to be reviewed periodically. This is now timely as Council enters the final year of its current triennium.
- 2.2 At its meeting on 3 April 2018 the Committee received the first formal output from Council's internal audit programme, being the Risk Management Framework Review. This report contained inter alia recommendations concerning the Committee's terms of reference.
- 2.3 The current terms of reference with recommendations for amendments are tabulated in **Appendix 1**.
- 2.4 Following its meeting on 7 August 2018 the Committee conducted a workshop to consider the key initiatives and information it requires, along with timings, in order to maintain focus and momentum in its primary function of monitoring risk management.
- 2.5 These have been captured in the proposed work programme, attached as **Appendix 2**.

#### 3. OPTIONS

- 3.1 The options identified are:
- a. Do nothing
  - b. Recommend the proposed updates to the Terms of Reference to Council AND adopt the proposed work programme, with modifications if considered appropriate.
  - c. Recommend the proposed updates to the Terms of Reference Council OR adopt the proposed work programme, with modifications if considered appropriate.
- 3.2 The proposals contained in **Appendices 1 & 2** are considered to align with good practice and direction previously given by the Committee. They support the Committee's

mandate by providing clear and specific objectives for its main areas of focus and the discipline to continue the development of governance in these areas.

- 3.3 The Committee would be able to continue to function without either of these updates, although it is considered in a more reactive and less transparent manner.
- 3.4 The preferred option is (b), this meets the purpose of local government as it will help meet the current and future needs of communities for good-quality infrastructure, local public services, and performance of regulatory functions in a way that is continuously subjected to the rigours of risk assurance.

#### **4. CORPORATE CONSIDERATIONS**

##### **What is the change?**

- 4.1 This is an administrative matter concerning the framework through which the Committee will monitor Council's risk management practices and financial performance. Consequently:
- 4.2 No implications for service delivery

##### **Compliance with legislation and Council Policy**

- 4.3 No direct implications

##### **What are the key benefits?**

- 4.4 Enhanced clarity and structure to governance in the specified areas

##### **What is the cost?**

- 4.5 N/A

##### **What is the saving?**

- 4.6 N/A

##### **Who has been consulted?**

No public consultation is required

##### **Maori Standing Committee**

- 4.7 There are no specific cultural implications for this committee to consider.

#### **5. SIGNIFICANCE**

- 5.1 Impact: Low
- 5.2 N/A

#### **6. RISK MANAGEMENT**

- 6.1 The strategic risks (e.g. publicity/public perception, adverse effect on community, timeframes, health and safety, financial/security of funding, political, legal – refer to S10 and S11A of LGA 2002, others) identified in the implementation of the recommendations made are as follows:

- a. This matter concerns the Committee's primary function of risk assurance. In accordance with Council's risk management policy the risks associated with the items considered are assessed as follows:

Human	Financial	Regulatory
Low	Low	Low
Operations	Employees	Image & reputation
Low	Low	High

#### References (to or from other Committees)



As noted in 2.

#### Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

#### Signatories

	
Author Gary Borg	Approved by Steven May

	Existing	Comments	Recommendations
<b>Membership</b>	His Worship the Mayor (ex-officio), 3 Councillors, and an independent member.		
<b>Meeting frequency</b>	Every 6 weeks and as required		
<b>Purpose</b>	This Committee will monitor overall financial management and the performance of the Council; and, act as a liaison point with the Council's auditors in order to ensure robust financial audits and reviews of Wairoa District Council	The purpose should include reference to the role of the committee regarding risk. The role of a risk committee is to set the risk policy and then monitor the application of the policy. It is accepted that the role of an Audit & Risk Committee is to ensure there is active engagement with both the external & internal auditors.	This Committee will monitor overall financial management, performance, and the <b><u>risk management and internal control</u></b> of the Council; and to ensure there is active engagement with the Council's auditors in order to ensure robust financial audits and reviews of Wairoa District Council.
<b>Responsibilities</b>	Monitor the Council's external and internal audit work programmes and processes.	Again, the responsibilities need to include reference to risk management. The detailed responsibilities need to be better linked to the purpose. Also, being a finance committee, it is important that there are responsibilities concerning finance reporting, finance policies and financial planning.	Monitor the Council's <ul style="list-style-type: none"> <li>• Financial results and position.</li> <li>• Risk management policy and processes.</li> <li>• External and internal audit work programmes and processes.</li> <li>• The achievement of the development of the Annual report, Annual Plan &amp; Long term plan against agreed timetables.</li> <li>• Financial policies.</li> </ul>
	<ul style="list-style-type: none"> <li>• Provide a communication link between management, internal/external auditors and the Council</li> </ul>	The role of the committee is more than to ensure that there is a communication link between management, internal/external	Review the appointment and engagement processes of Council's internal and external auditors.

	Existing	Comments	Recommendations
		auditors and the Council, it is to ensure that the internal/external the auditors are appropriately engaged to undertake their respective roles	
	<ul style="list-style-type: none"> <li>Receive the Auditor's Management Report and make recommendations (if any) to Council on any suggested actions by the auditors</li> </ul>	This is an appropriate responsibility of the committee.	Receive the Auditor's Management Report and make recommendations (if any) to Council on any suggested actions by the auditors.
	<ul style="list-style-type: none"> <li>Monitor the response to audit reports and the implementation of recommendations made by auditors.</li> </ul>	This is an appropriate responsibility of the committee.	Monitor the response to audit reports and the implementation of recommendations made by auditors.
	<ul style="list-style-type: none"> <li>Monitor integrity and reliability of financial and other measures of performance and service levels (monthly/quarterly report goes to Council if they meet before FAR )</li> </ul>	The committee should also monitor the appropriateness of the reports including commentary on variances.	Monitor the appropriateness and reliability of financial and other measures of performance (monthly/quarterly reports to be received by Council if they meet before FAR).
	<ul style="list-style-type: none"> <li>Monitor existing corporate finance policies and recommend to Council new corporate policies to prohibit unethical, questionable or illegal activities</li> </ul>	While the role of the committee is to monitor financial policies relating to unethical or illegal activities, it should be considering the appropriateness of all finance and internal control policies against best practice.	Regular review of all financial based policies to ensure that they comply with good practice.
	<ul style="list-style-type: none"> <li>Oversee the Health &amp; Safety work programme</li> </ul>	The role of the committee is not to "oversee" the Health & Safety work programme but to gain assurance there is an appropriate policy and	Review the Health & Safety work policy to ensure it is appropriate and then monitor the actions and risks.

	Existing	Comments	Recommendations
		the actions required to support that policy are being undertaken.	
	<ul style="list-style-type: none"> <li>Provide objective advice and recommendations to Council regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the Council's risk management, control and governance frameworks and processes.</li> </ul>	The role of the committee is to ensure that there is an appropriate Risk management policy and the actions required to support that policy are being undertaken.	Regularly review the risk management policy to ensure that it complies with good practice. Receive regular reports that are consistent with the policy.
	<ul style="list-style-type: none"> <li>Oversee the compilation and recommend the Annual Report to Council.</li> </ul>	This is an appropriate responsibility of the committee.	Oversee the compilation and recommend the Annual Report to Council.
	<ul style="list-style-type: none"> <li>Review the development of the financial strategies and policies as required by the long-term plan</li> </ul>	Note – this was not done for the 2018/28 LTP. It is an appropriate function of an Audit & Risk committee.	Review the development of the financial strategies and policies as required by the long-term plan.
	<ul style="list-style-type: none"> <li>Monitor the financial and non-financial performance and governance of Council Controlled Organisations – annual report and statement of intent to go to Council</li> </ul>	This is an appropriate responsibility of the committee.	Monitor the financial and non-financial performance and governance of Council Controlled Organisations – annual report and statement of intent to go to Council.
<b>Delegations</b>	<ul style="list-style-type: none"> <li>Recommend to Council the terms and arrangements of the external audit programme as agreed with the external auditor</li> <li>Assess and approve expenditure where the circumstances could be perceived to give rise to a conflict of interest</li> </ul>	Normally a risk committee would have the delegated authority to agree the terms and arrangements of the external audit programme as agreed with the external auditor providing there is adequate budget.	<ul style="list-style-type: none"> <li>Engage external &amp; internal auditors within the budget provided by Council.</li> <li>Assess and approve expenditure where the circumstances could be perceived to give rise to a conflict of interest.</li> </ul>

	Existing	Comments	Recommendations
	<ul style="list-style-type: none"> <li>All powers necessary to perform the Committee's responsibilities Except               <ol style="list-style-type: none"> <li>Powers that the Council cannot delegate or has retained to itself</li> <li>Where the Committee's responsibility is limited to making a recommendation only.</li> <li>The approval of expenditure not contained within approved budgets</li> <li>The approval of final policy</li> <li>Deciding significant matters for which there is high public interest and which are controversial</li> <li>The commissioning of reports on new policy where that policy programme of work</li> <li>Establishing subcommittees</li> <li>Delegating the Committee's responsibilities, duties or powers</li> </ol> </li> </ul>	<p>This would also apply to the engagement of the internal auditor.</p> <p>Again, generally Audit &amp; Risk committees have the ability to appoint subcommittees of the committee to undertake specific functions. They do not have the ability to appoint subcommittees for other purposes.</p>	<ul style="list-style-type: none"> <li>All powers necessary to perform the Committee's responsibilities Except               <ol style="list-style-type: none"> <li>Powers that the Council cannot delegate or has retained to itself</li> <li>Where the Committee's responsibility is limited to making a recommendation only.</li> <li>The approval of expenditure not contained within approved budgets</li> <li>The approval of final policy</li> <li>Deciding significant matters for which there is high public interest and which are controversial</li> <li>The commissioning of reports on new policy where that policy programme of work</li> <li>Establishing subcommittees</li> <li>Delegating the Committee's responsibilities, duties or powers</li> </ol> </li> </ul>
Rules and Procedures	<ul style="list-style-type: none"> <li>Standing Orders apply</li> <li>The minutes of the committee will be submitted to the Council.</li> <li>There will be an appropriate induction programme for new members of the committee</li> </ul>	<p>There should be a provision to ensure that the committee remains aware of current requirements of both financial and risk governance.</p>	<ul style="list-style-type: none"> <li>Standing Orders apply</li> <li>The minutes of the committee will be submitted to the Council.</li> <li><b><u>There will be an appropriate programme to ensure that all</u></b></li> </ul>

	Existing	Comments	Recommendations
			<i><u>members of the committee have the appropriate skills to undertake their roles.</u></i>



Set out below is the recommended annual work programme for the Finance, Audit & Risk (FAR) committee. This is based on the proposed amended Terms of Reference (TOR). Once the TOR and annual work programme have been agreed by Council, staff will be able to develop a calendar, setting out what components of the Annual work plan will be reported to the FAR committee.

#### Annual work programme

#### 1. Monitoring of financial performance

##### a) Monthly reporting.

Exception report reporting based on a summary operating statement which reflects the income and expenditure for activities, capital expenditure and narration on key projects. This report should provide Elected members with assurance that the income and expenditure is on track with budget, and provide an “heads up” where an expenditure or income is outside the tolerances set by Council.

This information needs to be with Councillors by the 15th working day of the month following. The exception report will be presented either to Council or the FAR committee which has a regular meeting scheduled.

##### b) Quarterly reporting should contain the following information:

- i. Statement of financial performance and position including activity funding impact statements. These reports should include funding, i.e. the use of reserves, debt and allocation of rate income.
- ii. Forecasts for the remaining financial year should be presented following the December and March quarters
- iii. Report on the non-financial performance measures.
- iv. Interim results of CCOs when available
- v. Outstanding debts including aged Rates reports
- vi. Investments (including bank deposits) including rate of return to date
- vii. External and internal debt

This information needs to be with Councillors by the 20th working day of the month following.

The draft Annual report will be presented to the FAR prior to the adoption by full Council

#### 2. External Audit

- a) Approve the engagement of the external auditor<sup>1</sup> including audit plan for the Annual report and Long term plan including discussions of areas of focus.
- b) Receive the Auditor’s Management Report and make recommendations (if any) to Council on any suggested actions by the auditors.
- c) Monitor the actions of management on the achievement of the recommendation made by the External auditor.

<sup>1</sup> Note the appoint of the External Auditor is made by the Controller and Auditor General

d) Meet with the external auditor at least annually without staff present.

3. Risk management (including internal audit) and reporting

- a) The risk management policy should be reviewed at least every three years.
- b) A risk report should be presented to the committee at least every three months. That report should include a heat map (disclosing the number of risks within each category), and the top 10-15 corporate risks. The entire risk register should be presented annually. However, if a new extreme risk is identified or an existing risk level increases to extreme, then this should be reported to the committee at its next meeting.
- c) In addition, there should be reporting on risks and associated mitigation for significant projects. The Council should identify five significant projects that will be reported against. These need not be large expenditure value projects, but projects that are significant to Council e.g. Long term plan or a new wastewater consent.
- d) Internal audit work programme. The committee should:
  - i. In conjunction with management approve the appointment of the external internal auditor
  - ii. Approve the annual work programme
  - iii. Monitor the process of the programme
  - iv. Receive all internal audit reports including reports from NZTA
  - v. Consider recommendations of improvement
  - vi. Monitor the process of agreed actions
- e) Health & safety - Ensure that there is an appropriate health and safety policy and programme to ensure compliance with the Health and Safety at Work Act 2015 and good practice. The committee should receive a report that provides assurance

4. Policy and bylaw reviews – reported at least six monthly

The committee should receive a report that details all external policies noting when they were last reviewed and the next scheduled review. For those policies that are due for review within the next year:

- a) There should be regular reviews of the following financial based policies:
  - Procurement
  - Fraud
  - Sensitive expenditure
- b) In addition, the Committee needs to have assurance the all other polices and bylaws are current.

5. Oversight of preparation of Long term plan (LTP) and Annual Report

Draft Annual work programme for Finance, Audit & Risk Committee

Page 2 of 3

The work programme for the committee should be based on the following:

- a) Ensure that there is an appropriate plan in place for both LTP and annual report
- b) That there are appropriate accounting policies and these have been applied consistently.
- c) Ensuring compliance with applicable legal requirements relevant to statutory reporting
- d) Specifically for LTP:
  - i. that financial policies (including financial strategy) have been developed using a robust methodology
  - ii. the assumptions used have a sound basis
- e) Specifically for annual report:
  - i. that financial statements reflect the results
  - ii. that there is adequate disclosure of contingent liabilities and assets.

Draft Annual work programme for Finance, Audit & Risk Committee

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**8.2 DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**Author:** Gary Borg, Chief Financial Officer  
**Authoriser:** Steven May, Chief Executive Officer  
**Appendices:** Nil

**1. PURPOSE**

- 1.1 This report provides the draft financial statements for the year ended 30 June 2018 for the Committee's review. No decisions are required by Committee at this stage.
- 1.2 The information provided supports the Committee in its remit to monitor Council's financial performance



**RECOMMENDATION**

*The Chief Financial Officer RECOMMENDS that the Committee receive the report.*

**2. CURRENT SITUATION**

- 2.1 The financial statements are currently being completed and will be distributed supplementary to the Agenda.
- 2.2 The full financial statements will be included in the Annual Report 2018, which will be audited between 17 September 2018 and 5 October 2018.
- 2.3 S98(3) of the Local Government Act requires Council to adopt an annual report by 31 October 2018.

**Signatories**

	
Author Gary Borg	Approved by Steven May