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## Audit & Risk Committee

### OPEN MINUTES

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**Minutes of a meeting of the Audit & Risk Committee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Wednesday 16 September 2015 at 2.30pm.**

#### PRESENT

Chairperson	Mr Paul Connell
Members	Mr Tony Steele Her Worship the Mayor J Hardaker Cr R Pascoe
In Attendance	Richard Briggs – Chief Executive Paul Conder – Chief Financial Officer Lance Vervoort – General Manager Community Chris Allen – General Manager City Infrastructure Stephen Standley – Zoo Director Stephen Halliwell – Accounting Manager David Robson - Crisis Manager Barnaby Pace – Risk Manager David Gunn – Service Delivery Manager, Information Services Tracey Stevenson – Health and Safety Manager Sarah Giles – Communication Advisor  Leon Pieterse – Audit NZ Naude Kotze – Audit NZ Andrew Holmes – PwC Emma Jones – PwC
Democracy Advisor	Mrs Jude Pani

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#### 1. Apologies

**Resolved:** (Her Worship the Mayor Hardaker/Cr Pascoe)  
That the apologies from Councillor O’Leary be received and accepted.

## 2. Confirmation of Agenda

**Resolved:** (Her Worship the Mayor Hardaker/Cr Pascoe)  
That the Committee confirm the agenda

## 3. Declarations of Interest

No members of the Council declared a Conflict of Interest.

## 4. Public Forum

There were no speakers in the public forum.

## 5. Audit and Risk Committee Meeting - Open Minutes - 17 June 2015

**Resolved:** (Her Worship the Mayor Hardaker/Cr Pascoe)  
That the Committee confirm and adopt as a true and correct record the Open Minutes of the Audit and Risk Committee Meeting held on 17 June 2015.

## 6. Recommended dates for reports to be presented to Audit and Risk Committee

**Resolved:** (Messrs Connell/Steele)  
That the report be received.

## 7. Organisational Risk Report

The Chief Executive (CE) introduced this Item advising that, as requested at the 18 June Audit and Risk Committee, in conjunction with the Committee Chair, he had commenced a review of the risk management framework including the way that risk was managed and reported. The CE advised that while the organisation had a functional risk model, risk was more than a model; it was about developing a culture to embody risk management into decision-making frameworks. He had spent some time with the Risk Manager and Crisis Manager, along with the Senior Leadership Team, reviewing the organisation's operational risk programme. He had also spent time with the Chairman and the Mayor in terms of discussing strategic risks.

Along with the CE, the Crisis Manager and Risk Manager responded to questions from the Committee with the following noted:

- Top 10 risks came out of the organisational assessment model. It was anticipated that top five risks by Group would in future be discussed with the Committee by each General Manager. This approach would replace the current assessment model.
- Training workshops had been running over the last five weeks comprising of three sessions. Attendance was voluntary with an upcoming session programmed for Unit Managers.
- Risk training was one part of the change of risk culture. The biggest element was leadership and expectations around risk based decision making. It was about the Senior Leadership Team having an understanding of risk and risk based conversations.
- Two main risks (Item 8 on the Risk Summary) related to annual drought and water level and if the river was polluted in a natural disaster.
- Following completion of the work by the Audit and Risk Committee, risks would be discussed

with the full Council.

- The need to include and report on culture change as it related to risk management was questioned.

**Resolved:** (Messrs Connell/Steele)

That the report be received.

## 8. Organisational Improvements Work Programme Status Report

The Crisis Manager introduced this Report providing an update on the status of Organisational Improvements Work Programme.

The Chief Financial Officer (CFO) advised that completed projects were capitalised on the fixed asset register within three months of finishing the project; approximately 10% were not being capitalised within this timeframe.

It was requested that staff report back to the Audit and Risk Committee at the December 2015 Meeting on the systematic process.

Additionally, it was requested that staff also report back to the Finance Committee on monitoring matters, noting that this issue had been previously discussed at the Finance Committee.

**Resolved:** (Cr Pascoe/Mr Connell)

That the report be received.

## 9. Cyber Security Risk Update

The Service Delivery Manager, Information Services, introduced this report providing an update on the approach taken and the process in place to manage cyber security risks. He considered that given the level of risk, there was sufficient budget allocated for this activity. It was noted that an update on sensitive matters would be held in the Public Excluded session.

**Resolved:** (Mr Steele/Cr Pascoe)

That the report be received.

## 10. 2014/15 Safety and Wellbeing Concept Plan

The CFO, supported by the Health and Safety Manager, introduced this Report which provided an organisational update against the 2014/15 Safety and Wellbeing concept plan key performance indicators and activity. The following was noted in response to questions:

- The Health and Safety at Work Act 2015 would become effective from 4 April 2016.
- The 2014/2015 Annual Report indicated an improvement in safety and wellbeing with the Vault web tool a significant component of reporting.
- Currently, drug testing was undertaken with pre-employment screening. However, a change in policy would be required for the organization to be able to undertake random testing.
- Participating Councils in the Local Authority Shared Services (LASS) were currently undertaking information gathering to benchmark and share learning opportunities. Staff were confident that everything would be in place prior to April 2016 when the new legislation was introduced.

- A gap analysis had been carried out in the three areas most affected by the legislation change: Contractor Management (includes subcontractors); workers perception; and volunteer workers being included.

It was requested that staff provide regular updates on the new legislation.

It was noted that training was being arranged for November 2015 to enable Elected Members and Appointed Members to have an understanding of both their responsibility and liability under the new legislation.

**Resolved:** (Her Worship the Mayor Hardaker/Mr Steele)

That the report be received.

## 11. Audit NZ Update

The CFO introduced this Item. Audit New Zealand (Messrs Leon Pieterse and Naude Kotze) were in attendance to provide an update on external audit activities with the following noted:

- Overall, the Long Term Plan process went well.
- Asset Management Plans ('AMP') formed a reasonable basis for decision-making with the organisation well placed to respond to a crisis with the expertise available.
- The AMP were robust, informed the budget and were a reasonable basis for future forecasting.
- It was acknowledged that a lot of work had gone into asset improvement plans. It was difficult to know for certain the condition of water infrastructure. As assets were replaced, additional information would be made available.

**Resolved:** (Messrs Connell/Steele)

That:

- a) The report be received; and
- b) The verbal report by Audit New Zealand be received.

## 12. Annual Report 2014/15

The Chairman referred to the replacement pages 9 and 105 that had been circulated to the Committee, and invited the Accounting Manager to introduce this Item. Audit New Zealand (Messrs Leon Pieterse and Naude Kotze) were in attendance to provide an update and respond from an audit perspective.

The Manager advised that the following the informal Committee session a number of changes had been made to the Annual Report 2014/15 and it was now being presented for the Committee to recommend to the Council that the Annual Report 2014/15 be adopted. The Manager worked through the substantive changes from the earlier draft documents and responded to questions from the Committee; with the following noted:

- The Mayor and Chief Executive introduction was still to be included.
- Pages 4-9 were rewritten.
- Page 8 of the Summary document and Page 9 of the Annual Report to be replaced.
- Page 74 - \$5M acquisition of investments represents term deposit for longer than 30 days.

- Page 88 Gains/Losses – related to Knox Street which was accounted for inappropriately; gain on land and loss on the building.
- Page 101 – Disposals; represent major items in the Gains and Losses.
- Clarence Street Gifting: A gift of property was effective from the date of settlement and for the purposes of financial statements was treated as a disposal. If Council received the gift of property back it would be reflected at the market value at that time. (A sentence was to be included to clarify this situation in the balance sheets.)
- Page 88 – Consultancy and Legal had been separated. (A note was required to explain both the Legal and Insurance expenses.)
- Page 126 – Increased infrastructure insured; other insurance element related to restructuring with the first \$10M claim paid out immediately and there were now tiers to the Policy.
- Page 106 – Weathertight homes resolution. One claim outstanding.
- Page 107 –The annual leave calculation in 2014 was based on different methodology than 2015 (a note was required to explain the increase in the annual leave provision).
- Page 111 – Dame Hilda Ross and Roman Catholic Schools Funds to be moved from Reserves when appropriate communication had been completed.
- Page 118 – Note 36: Completed after balance date.
- Page 131 – Disclosure Statement. Additional information included.
- Information relating to CCOs – errors corrected relating to performance data.

The Committee would receive a final Annual Report prior to it being presented to the Council.

It was requested that a copy of the letter from Audit NZ be provided to the Committee Members.

Mr Pierterse advised that Audit NZ were close to signing off the Annual Report and issuing an unmodified position. The only aspect Audit NZ did not audit, but read through, were the comments from the Mayor and Chief Executive. There would be two audit opinions; one covering the Annual Report and one covering the Summary document.

Mr Pierterse concluded by asking the Committee:

Were the Committee –

- aware of anything that could impact on the accounts from 30 June 2015 until the current balance date that was not adequately disclosed; (Response – No)
- aware of any fraud; (Response – No)
- comfortable with management systems and controls to prevent and detect fraud? (Response – Yes)

These questions would also get formally presented to the Mayor and Chief Executive.

**Resolved:** (Messrs Connell/Steele)

**Recommended to the Council:**

That:

- a) The report be received; and
- b) The Audit and Risk Committee recommends to Council the adoption of the Annual Report 2014/15, subject to the corrections.

### 13. 2016 Quarter 1 Update from PWC

This Report was introduced by Emma Jones and Andrew Holmes – PwC, providing an update on the Internal Audit Programme for Quarter 1.

**Resolved:** (Cr Pascoe/Her Worship the Mayor Hardaker)  
That the report be received.

**14. Resolution to Exclude the Public**

**Resolved:** (Her Worship the Mayor Hardaker/Cr Pascoe)

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

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

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 follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Audit & Risk Committee Meeting - Public Excluded Minutes - 17 June 2015	) Good reason to withhold information exists under Section 7 Local Government	Section 48(1)(a)
C2. PwC - Internal Audit Status Report	) Official Information and Meetings Act 1987 )	

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, as follows:

Item C1.	to protect the privacy of natural persons	Section 7 (2) (a)
	to maintain legal professional privilege	Section 7 (2) (g)
	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C2.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)

**The Meeting moved into a public excluded session from 4.30 to 5.30pm.**

**The Meeting was closed at 5.30pm.**