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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 17 June 2015 at 2.30pm.**

#### PRESENT

Chairperson	Mr Paul Connell
Members	Mr Tony Steele Her Worship the Mayor Julie Hardaker Cr Angela O’Leary Cr Rob Pascoe
In Attendance	Richard Briggs – Chief Executive Paul Conder – Chief Financial Officer Blair Bowcott – General Manager Performance Brian Croad – General Manager City Environments Raniel Prasad – Unit Manager – Accounting Jude Pani – Democracy Manager David Robson - Crisis Manager Cory Lang - Building Manager Barnaby Pace - Risk Manager Morva Kaye - Financial Accountant  Leon Pierterse – Audit NZ Naude Kotze – Audit NZ Emma Jones – PwC YoonYoung Y Lee – PwC James MacGillivray – Tompkins Wake
Committee Advisor	Mrs Mary Birch

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The Chair welcomed Leon Pierterse and Naude Kotze from Audit NZ, Emma Jones and YoonYoung from PwC and Hamilton City Council (HCC) management to the meeting.

#### **1. Apologies**

There were no apologies.

**2. Confirmation of Agenda**

**Resolved:** (Crs O'Leary/Pascoe)

The Committee to confirm the agenda.

**3. Declarations of Interest**

In respect of Item 9 – Building Consent Authority Re-Accreditation Results, the Chair advised that he was Chairman of International Accreditation New Zealand (IANZ).

**4. Public Forum**

Not required.

**5. Minutes of the Audit and Risk Committee Meeting - Open - 18 March 2015**

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

That the Committee confirm and adopt as a true and correct record the Open Minutes of the Audit and Risk Committee Meeting held on 18 March 2015.

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

The Chair noted that there was currently no audit plan for consideration. The Chief Financial Officer (CFO) confirmed that staff were working on the 2015/16 audit plan to ensure that it aligned with the procurement process. This had taken longer than anticipated and he still needed to engage with Her Worship the Mayor, the Chairs of the Finance and Strategy and Policy Committees and the Chief Executive around the understanding of risk. However, the plan would be available at the 16 September Audit and Risk Committee Meeting.

The CFO advised that the other item that remained outstanding was the Interim Audit Arrangements Letter. He explained that in the usual cycle it would have been available at this Meeting. However, he had aligned the Interim Audit with the 10 Year Plan Audit. The Arrangements Letter would be forwarded by Audit NZ on 3 July.

Mr Pierterse, Audit NZ, advised that an interim management report would not now be released unless there were significant findings. He confirmed that a final management report would be produced and a similar approach would also be taken on the 10 Year Plan.

The Audit and Risk Committee Self Review would now be considered at the 3 December 2015 meeting.

The Chair advised that he would be available to present the Annual Report to Council on 24 September 2015.

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

That the Report be received, noting the above changes.

## 7. Organisational Risk Report

As a consequence of feedback from the Audit and Risk Committee that the Report was too complex, the Chair advised that he had spent time with staff and considerable progress had been made on modifying the risk reporting to make it clearer and easier to understand. The report was introduced by the General Manager (GM) Performance, supported by the Crisis and Risk Managers.

Staff responded to questions on the following;

- **Reputational Risk** - The issue of reputational risk was being addressed through a training programme for staff and management;
- **Business Continuity Management Framework** - This was being refined following the PwC audit;
- **Top Ten Organisational Risks Summary** – Although other risks had been identified, reporting to Governance needed to focus on the top ten risks; the process to identify risks was good and the Committee was comfortable that any emerging risks would be identified;
- **Scoring** – It was confirmed that the rankings were achieved using the likelihood of the risk occurring and the impact on the organisation if it did. The definitions were included in the Policy. Staff gave assurances that this was not simply a mechanical process, as it was undertaken in conjunction with the GMs; and
- **Staff Turnover** – Confirmation was given that an increase in staff turnover as a consequence of the organisation’s proposed restructure, had been identified as the top risk. It had been categorised as catastrophic due to the impact across the organisation.

The Chief Executive (CE) commented that he did not agree with the staff turnover assessment, as he believed that the number of staff that were impacted by the restructure was a small proportion, when taken as a representation of staff as a whole across the entire organisation.

Members provided positive feedback on the new style of reporting and staff were thanked for their efforts.

**Resolved:** (Crs O’Leary/Pascoe)

That the Report be received.

## 8. Organisational Improvements Work programme Status Report

The report was introduced by the CFO, who advised that the Crisis Manager had taken over this report as a result of David Leong leaving the organisation. He highlighted that in Quarter 3, 19 items had been completed and were awaiting PwC sign off, 11 new items had been received, leaving a balance of 15 outstanding. The following matters were considered:

- **Item #89 Cash Flow Forecasting** - The CFO confirmed that this was an overdue item and had been deferred until after year end. However, it was currently being tested by the Finance Team and it would be available for the Annual Plan process at the beginning of September 2015;
- **Items #193 and #196 Development Contributions Processes and Controls and #244 Work in Progress** - The CFO provided assurances that these Items, due for completion by the end of June 2015, remained on target; and
- **Overdue Items** - The Committee requested that in future reports, estimated completion dates be included for overdue items.

Whilst it was noted that the black font on red was difficult to read, Members provided positive feedback on the Work Programme document attached to the staff Report in respect of both the increased font size and the detailed wording included in the Agreed Management Responses and Comments on Current Activity.

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

at the report be received.

## 9. Building Consent Authority (BCA) Re-Accreditation Results

The GM City Infrastructure introduced this report, supported by the Building Manager. The Building Unit had recently been audited by International Audit New Zealand (IANZ), on behalf of the Ministry of Building, Innovation and Enterprise (MBIE). The audit report was good and HCC continued to maintain accreditation. HCC received two corrective actions and a number of recommendations for improvement. Whilst the GM did not necessarily agree with everything that had been noted in the audit, he confirmed that all the changes requested would be delivered.

The GM advised that smart technology would improve customer service, with hand-held devices allowing staff to update and access information in the field. Furthermore, although online consenting was technically complex, it was being progressed, as staff recognised how significantly it would enhance the service provided.

The Chair reiterated that he was the Chair of IANZ and that as an organisation, IANZ wanted to be customer orientated. He wanted to find out how these reports could provide additional value to HCC; he appreciated the comments raised by staff and welcomed their feedback. He explained that IANZ would be engaging with MBIE in respect of setting appropriate standards.

**Resolved:** (Mr Steele/Cr O'Leary)

That the report be received.

## 10. Annual Report 2015-Planning update

The CFO, supported by the Unit Manager - Accounting introduced this report. The CFO explained that the purpose of this report was to provide the Committee with an update on the 2015 Annual Report Planning. He highlighted the following:

- **Public Benefit Entity (PBE) Accounting Standards** - The Annual Report would include the introduction of the new PBE accounting standards;
- **Disclosure of Revenue** - the main impact of the introduction of the PBE Accounting Standards related to disclosure of revenue from exchange (payments for specific services) and non exchange (non specific services e.g. payments for rates or development contributions) activities.
- **Terminology** - Traditional terminology would be used in the reporting;
- **Risks and Opportunities Schedule** - The Risks and Opportunities Schedule projected an improving overall financial performance;
- **Alignment** - All changes aligned with international accounting standards;
- **Overruns** – Whilst there were concerns regarding the increased number of overruns, assurances were given that the process was transparent. As Council moved towards balancing the books in 2016, there was less flexibility to move funds from one project underrun to another project overrun. Any movement of funds between projects was cleared by the CFO and Council advised accordingly; and
- **Consultation** - There was no requirement for further consultation on the Annual Budget, unless there was a significant change from the 10 Year Plan.

Mr Pierterse – Audit NZ confirmed that he was not aware of any issues.

It was requested that a session was scheduled at the end of August/beginning of September for Committee Members to consider financial statements, key assumptions and valuation issues.

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

That the Report be received.

## 11. 2015 Quarter 4 Update from PWC

This Report was introduced by Emma Jones and YoonYoung Y Lee – PwC. Ms Jones confirmed that Council was continuing to make good progress and the overall Internal Audit Programme was on schedule. She highlighted the following:

- **Project 5 - Budgetary Controls and Reporting** – This Item had been deferred until the Financial Year 2016 to align with the finalisation of the budget module fixes within the AX system;
- **Project 8 - Safety and Wellbeing Management System** - This had been deferred until the Financial Year 2016 to align with the proposed reforms to the health and safety legislation;
- **Project 1 – Governance Reporting** – The fieldwork had been completed and the observations discussed with Her Worship the Mayor Hardaker. The report needed to reflect the improvements required and be a plan for the future. This would be finalised by the next meeting, with very detailed recommendations included; and
- **Project 9 – Value for Council Model** – This had been added to the Internal Audit Programme. It aligned with the public relations exercise of demonstrating good value for money for the ratepayers’ dollar, which was linked to the local government survey. It was recognised that the figures should be accurately and independently audited to give public confidence in their findings.

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

That the report be received

## 12. Resolution to Exclude the Public

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

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

The following motion is submitted for consideration:

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. Minutes of the Audit and Risk Committee Meeting - Public Excluded - 18 March 2015	) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Legal Update (Verbal) from Tompkins Wake	)	

C3. Weathertight Buildings

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)
Item C2.	to maintain legal professional privilege	Section 7 (2) (g)
Item C3.	to enable Council to carry out negotiations	Section 7 (2) (i)

**The Meeting moved into a publically excluded session from 3.35 to 4.05pm.**

**The Meeting was closed at 4.05pm.**