
Audit & Risk Committee

OPEN MINUTES

Minutes of a meeting of the Audit & Risk Committee held in Committee Room 1, Municipal Building, Garden Place, on Thursday 26 November 2015 at 10.30am.

PRESENT

Chairperson	Mr Paul Connell
Members	Her Worship the Mayor Julie Hardaker Cr Angela O’Leary Cr Rob Pascoe
In Attendance	Richard Briggs – Chief Executive Paul Conder – Acting General Manager Corporate Lance Vervoort – General Manager Community Sean Murray – Director H3 and Events Stephen Standley – Zoo Director David Robson - Crisis Manager Barnaby Pace – Risk Manager Jeff Neems – Communication Advisor Naude Kotze – Audit New Zealand Andrew Holmes – PricewaterhouseCoopers (PwC) Yoonyoung Y Lee – PwC Sam Ketling - AON New Zealand
Democracy Advisor	Mary Birch – Democracy Team Leader

1. Apologies

Resolved: (Her Worship the Mayor Hardaker/Mr Connell)

That the apologies from Tony Steele be received and accepted.

2. Confirmation of Agenda

Resolved: (Mr Connell/Cr Pascoe)

That the Committee confirm the Agenda.

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

4. Public Forum

Public Forum was not required.

5. Audit and Risk Committee Meeting - Open Minutes - 16 September 2015

Resolved: (Crs Pascoe/O'Leary)

That the Committee confirm and adopt as a true and correct record, the Open Minutes of the Audit and Risk Committee Meeting held on 16 September 2015.

The Committee discussed matters arising from the previous minutes. Staff responded as follows:

- **Health and Safety Sessions** – Some Elected Members and Committee Members had attended a Health and Safety Responsibilities - Governance session, facilitated by the Employers and Manufacturers Association. Whilst knowledgeable on health and safety issues, it was felt that more clarity was required on the duty of care/liability for Elected Members within the local government environment.
- **Health and Safety Webinar** – A further opportunity would be available to participate in the Health and Safety Responsibilities Training via a Local Government New Zealand Webinar; the Chief Executive ('CE') would ensure that the webinar was circulated to all Elected Members.
- **Health and Safety Briefing** – It was recognised that a further briefing for Elected Members and Committee Members was required to ensure there was certainty around the guidelines and the duty of care that needed to be satisfied in a local government setting. The CE would arrange for the briefing to take place in February 2016.
- **Movement of Funds – Roman Catholic Schools Fund** – Communication had been undertaken with the Catholic Diocesan and confirmation had been given that the funds could be moved from reserves to general funds. A written letter confirming this is expected shortly.
- **Movement of Funds – Dame Hilda Ross Funds** – Communication was yet to be undertaken.
- **Capitalisation of Fixed Assets** - Staff had been asked to report back to this meeting on the systematic process regarding completed projects being capitalised on the fixed asset register within three months of finishing the project. Acting General Manager Corporate ('General Manager') explained the process and confirmed that he had received the draft Audit New Zealand Management Letter; it had caused concern and a more formal review

was required. Capitalisation within the timeframes, to ensure that there were no breaches in the process, was the responsibility of each of the General Managers. Both the Hansen 8 and AX systems were being used to ensure alignment. The General Manager was asked to provide an update when the Management Letter from Audit NZ was presented to the Committee.

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

The Committee discussed the recommended dates and amendments to the schedule were made as follows:

- **Audit and Risk Committee Self Review** – This would now take place in March 2016 to allow for benchmarking against other territorial authorities on the Terms of Reference.
- **Risk and Opportunities Report** – This was primarily controlled through the Finance Committee on a quarterly basis. In future, a summary report, focused on the risks identified, would be provided to the Audit and Risk Committee. If there was any significant change, a more detailed report would be included.
- **Weathertight Buildings Report** – This was controlled and monitored through the Finance Committee on a six-monthly basis. Whilst it was recognised that there were concerns around commercial building liability, Hamilton remained a low risk area. It was requested that a report be brought back to the next Audit and Risk Committee Meeting, specifically on the potential commercial building risk. Thereafter, it could be removed from the standard reporting schedule.
- **Insurance Report** – This should be introduced as a standard report on an annual basis.
- **Cyber Security** - This should be introduced as a standard report on an annual basis.

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

That the report be received, with the above changes to future reporting noted.

7. Organisational Risk Report

The CE, General Manager and Crisis Manager updated the Committee in relation to, and responded to questions on, the following matters:

- **Risk Workshop** – The CE was still to arrange a workshop for the Audit and Risk Committee Members to debate the outstanding risks.
- **Senior Leadership Team ('SLT')** – The SLT were currently working through the strategic and operational risks.
- **Risk Culture** – As only 50% of the Third Tier Managers had attended the targeted risk training, further sessions would be arranged. The Risk Management training, together with Health and Safety and Anti-Bullying training were all compulsory for staff at this level.
- **Top Ten Organisational Risks Rankings** – It was noted that when making comparisons between the initial risk and residual risk scores within the Top Ten Risks, the reason for the overall ranking was not always evident. However, the Committee was advised that whilst the scoring was the view of the risk owner, it was repeatedly re-scored over a period of time.
- **Implementation** – Measurement of success for embedding risk management culture within the organisation was considered on an individual basis by the relevant unit without prompting from the Risk team. Notwithstanding this, the quality of the reported risks was improving.
- **Mitigation** – One aspect of risk management maturity was the quality of the measures in place to mitigate the identified risk; it was expected that staff take the necessary action to mitigate risks, which included, where necessary, funding requests through the Ten Year Plan.

Resolved: (Her Worship the Mayor Hardaker/Cr O'Leary)

That:

- a) the report be received; and
- b) a workshop is to be arranged for February 2016, to enable Committee Members to consider the outstanding organisational risks.

8. Organisational Improvements Work Programme Status Report

Although no actions had been completed, the Committee was assured that priority was given to ensure higher risks were cleared first.

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

That the report be received.

9. Insurance Report 2015/16

The Risk Manager, supported by Sam Ketley, AON New Zealand, updated the Committee in relation to, and responded to questions on, the following matters:

- **Review** - A review of all policies had been undertaken to ensure that Council had the appropriate level of cover.
- **SLT Review** - The General Managers had not reviewed the new level of cover; the revised cover would be taken to SLT for further scrutiny.
- **Maximum Probable Loss** - The maximum probable loss approach, rather than the reinstatement value, had been taken.
- **Risk Profiling** - AON were working with Tonkin and Taylor on risk profiling to analyse the exposure due to seismic issues. The lower seismic risk for this area was reflected in the premiums.
- **Fitch Credit Rating** - AON only worked with organisations with a credit rating of A- .
- **Underground Infrastructure** – Clarity would be sought regarding who was responsible for the cover of underground infrastructure on private property; confirmation on Council's responsibilities and whether cover was standard under household insurance was requested.
- **Cyber Liability** - Cyber liability had been introduced.
- **Statutory Liability** - Any changes in health and safety legislation would impact on Council's statutory liability insurance.
- **Quality** – The quality of the insurance being provided was not necessarily driven by premium costs. Cover under the Waikato Local Authority Shared Services (LASS) was provided to ten councils across the region; AON endeavoured to provide the best possible cover. Policies provided under LASS were considerably better than if councils were considered on an individual basis. More coverage could be provided for less premiums. Every year as part of AON's own review, to ensure that the best product was provided, changes to the wording or improvements to the conditions were considered. When there were changes to legislation, AON provided guidance on what the revised limits should be for the statutory liability. There was a continual system in place for review, to ensure that the policies were as broad as they could be for the best price available.
- **Gap Analysis** – AON also undertook gap analysis to determine whether there was any insurance that Council did not currently have, which was needed. Conversely, if there were policies which were not required, AON provided professional advice to Council accordingly.
- **Premium Reductions** – Many of the premium reductions were driven by market changes.
- **Unspecified Items** – In the infrastructure policies, unspecified items had been introduced, so this would cover inherited items or infrastructure for which Council was unaware.
- **Enablement Costs** – Enablement costs were generally not captured. However, Council now had an appropriate policy which covered inline services. Interconnected services may need to be taken off-line to allow for the repairs to be undertaken; the costs of maintaining the functionality whilst an individual asset was being repaired would now be

covered.

- **Work in Progress** – Delays in completed projects that had been capitalised on the fixed asset register within three months of completion did not impact on the level of cover, as all work in progress was captured and covered.

Resolved: (Crs Pascoe/O'Leary)

That the report be received, subject to a review of the cover by SLT, the conclusion of which is to be noted back to the next Audit and Risk Committee Meeting in March 2016.

10. **Audit NZ Quality Audit on the IS Programme of Work**

The General Manager introduced the report and highlighted that the mobility project was a good example where the lessons learned had been applied to the rest of the organisation.

Resolved: (Mr Connell/Cr O'Leary)

That the report be received.

11. **PwC Internal Audit Update**

Andrew Holmes and Yoonyoung Lee introduced this report. It was confirmed that the 2015 internal Audit Programme had been completed. The 2016 Internal Audit Programme was being developed and once the strategic risks had been provided to PwC by the organisation, it could be confirmed.

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

That the report be received.

12. **Resolution to Exclude the Public**

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

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. Audit and Risk Committee Meeting - Public Excluded Minutes - 16 September 2015) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. PwC - Internal Audit Status Report)	

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 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 (11.45am to 12.50pm).

The Meeting was declared closed at 12.50pm.