
Audit & Risk Committee

OPEN MINUTES

Minutes of a meeting of the Audit & Risk Committee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Wednesday 8 June 2016 at 2:30pm.

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 Sean Hickey – General Manager Strategy & Communications Lance Vervoort – General Manager Community Blair Bowcott – Executive Director Special Projects Kelvyn Eglinton – General Manager City Growth Sean Murray – Executive Director H3 & Events Chris Allen – General Manager City Infrastructure Barnaby Pace – Risk Manager Tracey Musty – Financial Controller Tracey Stevenson – Health and Safety Manager Diane Crawford – Senior Communication Advisor Paul Gower - Programme Manager - Growth And Assets, Andrew Holmes PriceWaterhouseCoopers Yoonyoung Y Lee - PriceWaterhouseCoopers
Democracy Advisor	Mary Birch

1. Apologies

Resolved: (Crs O’Leary/Pascoe)

That the apologies from Her Worship the Mayor (for lateness) and Mr Steele be received and accepted.

2. Confirmation of Agenda

The Chair advised that a late item regarding Vibrant Hamilton Trust would be included at the end of the Open section of the meeting.

Resolved: (Mr Connell/Cr Pascoe)

The Committee to confirm the agenda, subject to the inclusion of the late Item – Vibrant Hamilton Trust – Audit of Accounts in the Open Agenda.

3. Declarations of Interest

No members of the Council declared a Conflict of Interest.

4. Public Forum

Not required.

5. Minutes of the Audit and Risk Committee Meeting Open - held on 23 March 2016

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 23 March 2016.

6. Audit and Risk Subcommittee - Action List (Open) - 8 June 2016

The Risk Manager confirmed that the majority of residential home insurance policies covered underground infrastructure and that beyond the boundary, was Hamilton City Council's ("HCC") responsibility.

Resolved: (Crs O'Leary/Pascoe)

That the Report be received.

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

It was requested that the 30 August 2016 meeting, to consider the draft Audit Report, was to be included in the recommended dates schedule.

Resolved: (Mr Connell/Cr O'Leary)

That the report be received.

8. Risk and Opportunities Report to 30 April 2016

The Financial Controller introduced this Item, explaining that it was an update of the Report that had been provided to the Finance Committee.

Resolved: (Mr Connell/Cr Pascoe)

That the report be received.

9. Organisation Improvement Programme

The Financial Controller and the Risk Manager introduced this Item, taking the report as read. A considerable amount of work had been undertaken to facilitate better tracking of Items. It was noted that the priority had been to close off actions; staff were asked to include an explanation regarding the target date, where appropriate (e.g. it had been determined to align with the Long Term Plan). It was noted that:

- Monthly Reconciliations – Although previously behind, this issue had been addressed.
- Ungerboek - Concerns had been raised regarding the interface of the Ungerboek system, used exclusively by H3, and its interface with AX. Numerous meetings had been held and it was not anticipated that there would be an issue at Year End.
- Legislative Changes – All roles should be aware of any legislative changes in their area of responsibility.
- Risk and Insurance Manager – Andre Chatfield had been recruited and was introduced to the Committee.
- PMO – Natalie Young had been recruited to this role and was introduced to the Committee.
- Conversations had already taken place with the CCOs and that staff would continue to work closely throughout the process to ensure that Council's expectations were fully understood.

Resolved: (Cr Pascoe/Mr Connell)

That:

- a) the report be received, noting that some of the comments are a work in progress; and
- b) ongoing improvements would be introduced into the programme.

Item 12 was taken next, to accommodate staff availability.

10. Update on Capitalisation and Asset Management activities

The General Manager – City Infrastructure and Programme Manager - Growth And Assets introduced the report. It was noted that whilst historically there had been challenges, a considerable amount of work had been undertaken in this area. Staff updated the committee on the following:

- The figures included in the report were updated through to the end of May. During May 2016, throughout the organisation, a total of \$30.9 million had been cleared from the Work in Progress (WIP).
- It was anticipated that a large proportion of the remaining \$20 million would be cleared during June 2016.
- Additional resources had been brought in across the organisation, including engineers, project managers and financial assistance from PwC had enabled such progress to have been made over the past three months.
- To ensure that this momentum was maintained, a two day workshop, with the relevant staff from across the organisation, had mapped the current processes and identified where improvements could be made to ensure that capitalisation could occur in a more accurate and timely manner.
- Lean processing techniques had been utilised, with the assistance of a Kaisen facilitator.

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

That the report be received.

Her Worship the Mayor Hardaker joined the meeting (2.55pm) during the discussion on the above item.

Item 11 was taken next to accommodate staff availability.

11. Local Government Risk Agency and Insurance Update

Executive Director Special Projects and the Risk Manager introduced this report. LGNZ and Treasury had proposed a business case for the establishment of the Local Government Risk Agency. Its purpose was to increase risk awareness. Significant changes were being proposed to the 60/40 government disaster recovery fund, with improvements required to probable maximum loss modelling needed to align with this. As a result, insurance cover would need to increase substantially which would be factored into the 2016/17 insurance renewal programme. The requirement to increase cover levels would have budgetary implications, though at this point, the quantum was unknown.

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

That the report be received.

Councillor O'Leary left the meeting (3.25pm) during the above item and was not present when the matter was voted on.

12. Health and Safety Update

The Health and Safety Manager introduced the report and tabled the updated Health and Safety Management System document. She advised that the Waikato LASS Health and Safety Working Party had negotiated a contract to deliver a contractor health and safety pre-qualification system; it was anticipated that this would go live in 2016. New KPIs would be introduced for the Senior Leadership Team and Audit and Risk to align with the new legislation and the Health and Safety Business Leaders Health and Safety Forum.

Resolved: (Crs O'Leary/Pascoe)

That the report be received.

Councillor O'Leary re-joined the meeting (3.30pm) during the above Item and was present when the matter was voted on.

13. Audit New Zealand Audit Arrangements Letter

The Financial Controller introduced the report. It was confirmed that the report was a formalisation of what had been discussed and agreed with Audit NZ at the previous Audit and Risk Meeting. The fee was the same as last year, as Audit NZ was contracted for a three year period.

Staff and Committee members were comfortable with the timetable detailed in Appendix 2 to the Audit Arrangements letter.

It was requested that the Financial Controller contact Audit New Zealand regarding Appendix 3 to the Audit Arrangements letter, to request a detailed timetable for the additional areas of interest for this year's audit.

Resolved: (Mr Connell/Cr O'Leary)

6. That the report be received.
7. That the Audit and Risk Committee recommends to Council that the Mayor signs the Audit Arrangement letter on Council's behalf.

14. LGOIMA Process

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

That the report be received.

15. PWC - Internal Audit Update

Andrew Holmes, Yoonyoung Y Lee and Nick Meier - PriceWaterhouseCoopers introduced this report. It was noted that a new internal Audit plan would be tabled at the next Audit and Risk Committee meeting in September, once the Committee’s input had been captured during the 30 August workshop. Going forward PwC specialists would co-present any reports.

Resolved: (Mr Connell/Cr Pascoe)
That the report be received.

The additional Item – Vibrant Hamilton Trust Letter, as noted in the Confirmation of the Agenda, was taken next.

Vibrant Hamilton Trust Letter

The Chair tabled a letter that had been received from Thomas Gibbons, Chairperson of the Vibrant Hamilton Trust (“the Trust”). Mr Gibbons sought the Committee’s guidance regarding the Trust’s breach of their statutory requirement to adopt audited accounts by 30 September each year. Audit NZ was not able to complete the audit within the required timeframes. This was due to GMI, the Trust’s fund manager, not being able to provide its audited report on internal controls in a timely manner. The time delay would be an ongoing issue.

Resolved: (Mr Connell/Cr Pascoe)

That:

- a) the letter from the Chair of the Vibrant Hamilton Trust be received; and
- b) the Committee notes that the breach is unavoidable and leaves the matter to the Trustees to make a decision.

16. Resolution to Exclude the Public

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 - 23 March 2016) 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)	

Reports

C3. Legal Update from
Tompkins Wake

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 commercial activities without disadvantage	Section 7 (2) (h) Section 7 (2) (i)
Item C2.	to enable Council to carry out negotiations	
Item C2.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)
Item C3.	to maintain legal professional privilege	Section 7 (2) (g)

The Meeting adjourned (3.55pm to 4.05pm) and moved into a Public Excluded session (3.55pm to 5.05pm).

The Meeting was declared closed at 5.05pm.