
Audit & Risk Committee

OPEN MINUTES

Minutes of a Meeting of the Audit & Risk Committee held in Council Chambers, Municipal Building, Garden Place, Hamilton on Wednesday 18 March 2015 at 2.30pm.

PRESENT

Chairperson	Mr Paul Connell
Members	Mr Tony Steele Her Worship the Mayor J Hardaker Cr A O’Leary Cr R Pascoe
In Attendance	Chief Executive, Chief Financial Officer, General Manager Organisational Development, General Manager Events & Economic Development, Crisis Manager, Risk Manager and Treasury Accountant. Andrew Holmes – PWC Partner Emma Jones – PWC Director Yoonyoung Lee – PWC Manager
Committee Advisor	Mrs MM Birch

The Chair welcomed Jeremy Smith and the journalism students from WINTEC to the Meeting. He introduced the Committee Members and provided context about the Committee’s role and function within Council.

1. Apologies

There were no apologies.

2. Confirmation of Agenda

Resolved: (Mr Connell/Cr Pascoe)

The Committee to confirm the agenda.

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

4. Public Forum

Not required.

5. Minutes of the Audit and Risk Committee - Open - 5 December 2014

Resolved: (Mr Connell/Cr 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 5 December 2014.

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

The Chief Financial Officer (CFO) explained that Council was currently waiting on the audit arrangements letter. Once this had been received, a date could be set for the informal Audit and Risk Meeting in late August 2015. This letter would be circulated to Members as soon as it was available.

Resolved: (Crs O'Leary/Pascoe)

That the Report be received.

7. Organisational Risk Report

The Crisis Manager and the Risk Manager introduced this report. The Risk Management Maturity Assessment was discussed as follows:

- **Improvement - Second Assessment** – Hamilton City Council's (HCC) Risk Management Framework had undergone its second Maturity Self Assessment. There had been an improvement from the last time this assessment had been undertaken; the scoring indicated that HCC's overall risk maturity level had improved and was now at Level 3 or "repeatable". Concerns were raised that this the report was difficult to understand and that Elected Members had not been given an opportunity to provide any input.
- **Staff Training** - It was noted that although risk management was covered in ongoing staff training, it was not included in new staff inductions.
- **Accessibility and Methodology** – Whilst it was noted that there had been considerable improvements, it was stressed that this was a governance issue and that there were several risks which Elected Members considered should be included in the register.
- **Reputational Risk** – Reputational is frequently not addressed in the register. It needed to be put through a process which included stakeholders and Elected Members. It would be helpful for Committee Members to have a workshop on this subject.
- **Emerging Risks** – It was confirmed that although there remained issues with the new accounting system, it had not reached the level to be identified as an emerging risk.
- **Budgeting Model Module** – It was never intended for the Budgeting Model module to be used for this Long Term Plan (LTP), as other processes were in place.

The Risk Register was then considered in detail. The following specific risks were discussed:

- **Risk ID # 34 – "Leaky Buildings"** – Regular reports went to both the Finance Committee and Audit and Risk Committee. It was reiterated that as a city, comparatively, Hamilton had a very low level of claims and that this was in large part due the approach of the building control team to ensure compliance.
- **Risk ID # 42 – Invoices** – The Chief Executive (CE) explained that the CFO had been specifically tasked to provide an update report to the next Finance Committee in respect of this issue.
- **Risk ID # 46 – Workforce Capacity** – GM Organisational Development explained that there had been a range of large projects, e.g. the Long Term Plan (LTP) and Cricket World Cup . This resulted in capacity being stretched which increased the risk of not delivering on time. Although all the key mega processes were not in place, there were continuous improvements and a process of review had been established. Whilst the LTP was not mentioned specifically, it had been included within this risk and it was acknowledged that this could have been considered as a separate risk. There were concerns that the reputational risk of failing to deliver the LTP on time had not been addressed or included.
- **Risk ID # 12 – Health and Safety Legislation** – The changes to the legislation were not yet finalised. The Chair had instructed management to get a legal opinion in respect of who in Council was liable for Health and Safety under the current legislation. Confirmation was provided that the Chief Executive was ultimately responsible. Notwithstanding this, training was being undertaken by the Senior Leadership Team, Vault had already been deployed and Elected Members would be briefed once the legislative changes were

confirmed.

Action points were noted as follows:

- The General Manager (GM) Organisational Development was asked to include risk management, under the HR function, as part of orientation training.
- The GM Performance was asked to meet with Members, as required, to work through this particular report.
- Reputational Risk was to be considered as part of the normal risk assessment.
- The Chair and Her Worship the Mayor were to meet with PWC to gain a better understanding of the benefits to be gained from self assessment.
- The date that each risk was established and updated needed to be included in the register.

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

That the Report be received.

8. Organisational Improvements Work Programme Status as at March 2015

The Treasury Accountant introduced the report. He advised that of the 27 items that remained open on the organisational improvements work programme at the last Audit and Risk Committee Meeting, 19 items had now been closed and 15 new ones added. This resulted in a balance of 23 items remaining outstanding on the Work Programme.

The issue of pushing out projects and delaying their completion was discussed, particularly as this potentially created risk for the organisation. The CE was aware of this issue and it was being closely monitored.

Specific items were discussed as followed:

- **Plant Equipment** – progress had been made in 2014. However, this required ongoing process improvements; the asset system, Hansen 8, would be fully upgraded by June 2016.
- **Event Management** – The GM Events and Economic Development confirmed that controls were in place to deal with the issues raised and Promapp had been implemented. The work was largely completed and now had to be embedded in with staff.
- **Project Management Framework** – Still a work in progress.

Action Point – Both the scheduled and actual completion dates were to be included in future reports.

Resolved: (Crs Pascoe/O'Leary)

That the Report be received.

9. Annual Report 2015-Planning update

Unit Manager – Accounting introduced this report. He highlighted that a key focus for this year was the introduction of the Public Benefit Entity (PBE) Accounting Standards. HCC was classified as a public sector PBE for financial reporting purposes and, therefore, the financial statements needed to be prepared in accordance with the PBE standards. Whilst working through the LTP, the PBE Standards were being taken into account. Staff were working with the Council Controlled Organisations (CCOs) to ensure compliance.

It was requested that staff worked closely with Audit NZ so that their review could be completed sufficiently early to avoid the same issues as last year. CFO confirmed this was the case and that the Audit Arrangements letter would be circulated to members as soon as it was received from Audit NZ.

Resolved: (Mssrs Connell/Steele)

That the Report be received.

10. Fitch Annual Rating Report

This report was introduced by the CFO. FitchRatings had been maintained at AA- (long term) and F1+ (short Term). He explained that the report was a very positive review that acknowledged HCC's improving financial performance and noted that the organisation was moving towards a more sustainable performance.

Staff were asked to consider how the organisation's credit ratings could be improved and advised that this should continue to be a future goal.

Resolved: (Crs O'Leary/Pascoe)

That the Report be received.

11. 2015 Quarter 3 Update from PWC

Emma Jones and Yoonyoung Lee (PWC) introduced the report, which was taken as read. Ms Jones highlighted that the Governance Reporting was on track and the Budgetary Controls and Reporting still required confirmation in respect of the timing.

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

That the Report be received.

12. Resolution to Exclude the Public

Resolved: (Mssrs 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. Confirmation of Minutes - Audit and Risk - Public Excluded - 5 December 2014) Good reason to withhold) information exists under	Section 48(1)(a)
C2. PwC - Internal Audit Status Report) Section 7 Local Government) 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)
Item C2.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)

The Chair thanked the WINTEC staff and students for their attendance.

The Meeting moved in to a Public Excluded session from 4.00pm to 4.35pm.

The Meeting was closed at 4.35pm.