
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 23 March 2016 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 Kelvyn Eglinton – General Manager City Growth Lance Vervoort – General Manager – Community Sean Murray – Director H3 & Events Helen Paki - Group Business Manager Community Stephen Standley – Zoo Director, Hamilton Zoo Barnaby Pace – Risk Manager Tracey Musty – Financial Controller Tracey Stevenson – Health and Safety Manager Diane Crawford – Senior Communication Advisor Irene James – Finance Manager H3 Andrew Holmes PwC Yoonyoung Y Lee - PwC Leon Pieterse – Audit New Zealand Naude Kotze – Audit New Zealand
Democracy Advisor	Mary Birch – Democracy Team Leader

1. Apologies

There were no apologies from Committee Members. However, the Chair noted that apologies had been received from Audit New Zealand staff for lateness.

2. Confirmation of Agenda

Resolved: (Mr Connell/Cr O'Leary)

The Committee to confirm the agenda.

3. Declarations of Interest

The Chair declared an interest relating to Item 9 - *Health and Safety Update*. He explained that he was a Director of Telarc Limited, a company involved in the health and safety industry.

4. Public Forum

Not required.

5. Minutes of the Audit and Risk Committee Meeting Open - held on 26 November 2016

Resolved: (Her Worship the Mayor Hardaker/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 26 November 2016.

The following matters were noted in relation to the Minutes:

- a) **Underground Infrastructure Insurance** – Clarity had previously been requested regarding who was responsible for the cover of underground infrastructure. The Chief Executive (CE) would ensure that this was followed up.
- b) **Senior Leadership Team (SLT) Review of Insurance Cover** – The asset re-valuations were still being worked though. The Committee requested a timeline regarding this work and when the SLT would be reviewing the cover. The CE would forward this to Committee Members.
- c) **Maximum Probable Loss** - The CE advised that there had been a review of the maximum probable loss; he would provide an update to Committee Members.
- d) **Health and Safety Briefing to Elected Members** – This briefing had not yet taken place. It was important that Elected Members understood their duty of care obligations in a local government setting. The CE would arrange for the briefing to take place. The Chair would be in attendance.
- e) **Work In Progress** – Staff had not yet reported back to the Committee on this matter. A report was still required and would come back to the next meeting.
- f) **Action List** - It was requested that the Democracy Advisor produced an Action List; the Action list was to be circulated to Committee Members.
- g) **Movement of Funds** – Communication with the Roman Catholic Schools Fund and Dame Hilda Ross Funds in respect of the movement from reserves to general funds was still to be undertaken.

It was agreed that Item 6 - *Recommended dates for reports to be presented to Audit and Risk Committee* would be deferred until later in the Meeting, to enable Audit New Zealand staff to comment.

7. Organisational Risk Report

The CE introduced the report. It was noted that the Risk Management Workshop for Committee Members and the SLT, to discuss the material risks identified by the SLT, had taken place on 10 March 2016. An informal workshop would be arranged for Committee Members to cover off the outcomes of the 10 March Risk Management Workshop; staff would report back at the next Committee Meeting. A report would also go to Council, to ensure that Elected Members were updated.

Resolved: (Cr Pascoe/Mr Steele)

That the report be received.

8. Organisational Improvement Work Programme Status Report

The CE and the Risk Manager (“the Manager”) spoke to this report. The Manager tabled an updated attachment: *Organisational Improvements Control List*.

Project Management Office (PMO) – The role of PMO Manager had remained vacant for over four months; General Manager (GM) Corporate was to review and recruit for this role. In the absence of the PMO Manager, third party expertise associated with the projects and external contractors were being utilised. It was recognised that the organisation needed to prioritise and focus on the high risk projects. The CE advised that the SLT went through the key projects during their weekly operational meeting; Committee Members would be taken through the Operational Management Room. There were good PMOs throughout the organisation; City Infrastructure had a robust system in place.

Resolved: (Cr Pascoe/Mr Steele)

That the report be received.

9. Health and Safety Update

Health and Safety Manager introduced this report. She updated the Committee in relation to, and responded to questions on, the following matters:

- a) **Project Charter** – This was a work in progress. The new legislation provided an opportunity to do a complete review in order to capture best practice. It was anticipated that this would be completed by the end of June 2016.
- b) **Working Party** - Staff were also working with the Health and Safety Working Party that had been set up by the Waikato Local Authority Shared Services.
- c) **Consultation with Contractors** – This would become a statutory obligation. Staff were already working with other territorial authorities and Worksafe NZ on this matter, particularly in the area of overlapping duties and responsibilities. Health and Safety Reports were considered at contract meetings but were not collated at an organisational level.
- d) **Volunteer Workers** – This was now being well managed; volunteers were the same as paid workers in respect of health and safety issues.
- e) **ACC** – ACC concentrated primarily on rehabilitation and getting people back to work.

It was recognised that health and safety best practice needed to be embedded in the culture within the organisation, led by the SLT. The Health and Safety Leadership Forum would be accessing external support to drive the change in culture across Council.

Resolved: (Mr Connell/Cr O'Leary)

That the report be received.

10. PWC Internal Audit Update

Andrew Holmes and Yoonyoung Y Lee, PwC introduced this report. Due to the new appointments of the GM Corporate and the Financial Controller, the strategy and model for the internal audit programme was currently being worked through.

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

That the report be received.

11. Fitch Annual Rating Report

The Financial Controller introduced this report. Council's credit ratings had been maintained at AA- (long term) and F1+ (Short term). The following points were noted:

- a) This was a very positive review by FitchRatings which acknowledged Hamilton City Council's (HCC) improved financial performance.
- b) There had been a slight improvement on the previous year.
- c) HCC had no control over the choice of peer comparisons, which included Paris and Invercargill.
- d) The report mentioned that the six new Councillors, elected in October 2013, had solid financial experience and that this had helped to strengthen Hamilton's governance and risk management.
- e) Whilst up-to-date information had been provided to FitchRatings, the fact that the graphs on the FitchRatings Public Finance Report only showed 2013 data, perhaps reflected the availability of data provided by the peer comparisons.

Resolved: (Mr Connell/Cr O'Leary)

That the report be received.

12. Audit and Risk Committee Self Review

The Chair introduced this report. He explained that his report was factual and covered what the Committee had achieved. The following points were noted by the Committee:

- a) Risk Management – This was a journey and HCC was heading in the right direction.
- b) Many other territorial authorities used HCC's model, indicating that the Committee was recognised as a benchmark for best practice.
- c) There was a high level of comfort over the scrutiny of matters.
- d) External assessment was critical and the key to having robust scrutiny in place.
- e) The Action List would provide additional support in this area.

Resolved: (Messrs Connell/ Steele)

That:

- a) the report be received; and
- b) the Audit and Risk Committee was operating effectively.

13. Annual Report 2016 Planning Update

The Financial Controller introduced this report. She confirmed that:

- a) **Key Dates**
 - i. 30 August 2016 – this would be an informal Audit and Risk catch up with Audit New Zealand; any potential issues would be flagged.
 - ii. 13 September 2016 – Audit and Risk Committee Meeting – Audit New Zealand would provide verbal audit clearance sign off.

- b) **Council Controlled Organisations (CCOs)** – Staff were liaising with the CCOs to ensure that timely information was produced, which effectively meant that the information was to be provided to HCC earlier. Good communications with the CCOs had been set up to support this.

- c) **Treasury Accountant** - Whilst the role of Treasury Accountant remained vacant since the resignation of David Leong in April 2015, the work was being covered by three to four finance staff; the Financial Controller was currently working through a restructure of the unit.

- d) **Timeframes** - The timeframes for carrying out the relevant work were appropriate.

Resolved: (Messrs Connell/ Steele)

That the report be received.

Item 6 was taken next, as agreed by the Committee at the conclusion of Item 5.

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

The Action List was to be introduced as a Standard Report at all future Audit and Risk Committee Meetings.

It was noted that the Governance Structure for the next triennium would be determined by the newly elected mayor. Consequently, it was not possible to arrange Committee Meetings until the new structure had been established.

Resolved: (Messrs Connell/ Steele)

That the report be received, noting that the dates for meetings after the Local Government Elections in October 2016 were still to be confirmed.

14. Audit Planning for 2016

The Financial Controller spoke to this report in conjunction with Leon Pieterse and Naude Kotze, Audit New Zealand. Audit New Zealand confirmed that the format of the report document had been changed and shortened. The areas of audit focus had already been highlighted and HCC had set out its expectations to ensure that there was an agreed approach to completing the audit in a timely manner. Committee Members requested an opportunity to see the accounts before they were locked down; it was confirmed that the 30 August 2016 informal meeting would provide guidance to the Committee.

Committee Members commented on the following:

- a) The CCOs were owned by HCC, therefore, the CCOs needed to align with HCC timeframes.
- b) Early communication strategies were required and this needed to be highlighted at the next CCO Subcommittee.
- c) Councillor Garry Mallet, Chair of the CCO Subcommittee, should be updated accordingly.

Resolved: (Mr Steele/Cr O'Leary)

That the report be received.

15. 2015 Final Audit New Zealand Management Report

The Financial Controller spoke to this report. It was noted that:

- a) **Focus** - The focus had been directed to areas where there had been issues in the past.
- b) **Work In Progress** - A more regular and systematic approach to capitalising Work In Progress throughout the year was needed.
- c) **Revaluations** - Revaluations had become more robust and Hansen had the functionality to complete these annually rather than every three years.
- d) **Asset Management** - Improvements had been made to the asset management processes and the CE would update the Committee on the status of work being undertaken by Paul Gower, Programme Manager – Growth and Assets, Asset Management Plans, Centre of Excellence and Hansen.
- e) **Resourcing** - Whilst HCC was currently under resourced in the areas of PMO, asset management and the CCOs, external contractors were brought in to provide the necessary cover.
- f) **Gifts and Hospitality** – the Policy needed to be reviewed; responsibility for the process remained with the GM Corporate. An update on this matter was to be provided to the Committee.
- g) **Sensitive Expenditure Policy** - Staff were asked to confirm whether this Policy also required review.
- h) **Payroll System** - The necessary controls were now in place.
- i) **Outstanding Issues** – There was concern that previous outstanding matters were not always being addressed. These matters needed to be captured on an the organisational improvements list, with due dates included.

Director H3 and Events introduced Irene James, the new Finance Manager H3. The majority of the issues raised in respect of H3 internal controls had now been addressed and would be completed within the next two months. An Integrity Control Register had been established within H3 to manage the recording of key integrity checks.

Resolved: (Mr Steele/Cr O’Leary)

That the report be received.

16. Resolution to Exclude the Public

Resolved: (Mr Connell/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. Minutes of the Audit and Risk Committee Meeting - Public Excluded - 26 November 2016) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Hamilton Zoo Investigation Update)	
C3. PwC - Internal Audit Status Report		
C4. Cyber Security Risk Update		

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)
	to enable Council to carry out negotiations	
Item C2.	to maintain legal professional privilege	Section 7 (2) (g)
Item C3.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)
Item C4.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)

The Meeting adjourned (4.20pm to 4.27pm) and moved into a Public Excluded session (4.27pm to 5.55pm).

The Meeting was declared closed at 5.55pm.