
Strategic Risk and Assurance Committee

Te Komiti Rautaki tuuraru me te whakatuuturu

OPEN MINUTES

Minutes of a meeting of the Strategic Risk and Assurance Committee held in Council Chamber and Audio-Visual Link, Municipal Building, Garden Place, Hamilton on Tuesday 17 June 2025 at 9:30 am.

PRESENT

Chairperson Mr Bruce Robertson
Heamana

Deputy Chairperson Ms Carol Bellette
Heamana Tuarua

Members Mayor Paula Southgate (via Audio-Visual Link)
Deputy Mayor Angela O’Leary (via Audio-Visual Link)
Cr Maxine van Oosten
Cr Kesh Naidoo-Rauf (via Audio-Visual Link)
Cr Sarah Thomson

In Attendance: Cr Maria Huata (via Audio-Visual Link)
Cr Anna Casey-Cox (via Audio-Visual Link)
Cr Emma Pike (via Audio-Visual Link)
Cr Tim Macindoe (via Audio-Visual Link)
Kataraina Macown and Athol Graham – Representatives from Audit NZ
Murtaza Ali – Representative from KPMG (via Audio-Visual Link)
Karl Ferguson – Representative from Arkus Communications

The Chair opened the meeting with a karakia.

1. **Apologies – Tono aroha**

Resolved: (Mr Robertson/Ms Bellette)

That the Strategic Risk and Assurance Committee accepts the apologies for absence from Cr Wilson, Cr Hutt and Cr Tauariki; and for partial attendance from Deputy Mayor O’Leary.

2. **Confirmation of Agenda – Whakatau raarangi take**

Resolved: (Mr Robertson/Cr van Oosten)

That the Strategic Risk and Assurance Committee confirms the agenda noting that the late attachment for Item 9 (Audit New Zealand Update) is accepted. This was circulated to Members prior to the meeting and will be attached to the Open Minutes of this meeting via **Appendix 1**.

3. **Declarations of Interest – Tauaakii whaipanga**

No members of the Committee declared a Conflict of Interest.

4. **Public Forum – AAtea koorero**

No members of the public wished to speak in the Public Forum.

5. Confirmation of the Strategic Risk and Assurance Open Minutes 6 March 2025

Resolved: (Mr Robertson/Ms Bellette)

That the Strategic Risk and Assurance Committee confirms the Open Minutes of the Strategic Risk and Assurance Meeting held on 6 March 2025 as a true and correct record.

6. Chief Executive Report

The Chief Executive highlighted the new format of his report which linked to strategic risks of the organisation, revaluations, wastewater constraints, the waters council-controlled organisation next steps and the recently released government metrics. Staff responded to questions from Members concerning rates revenue, service contracts with the new council-controlled organisation and the Local Government Benchmarking Framework.

Resolved: (Cr van Oosten/Ms Bellette)

That the Strategic Risk and Assurance Committee receives the report

Deputy Mayor O'Leary joined the meeting (9.35am) during the discussion of the above item. She was present when the matter was voted on.

Cr Naidoo-Rauf joined the meeting (9.37am) during the discussion of the above item. She was present when the matter was voted on.

7. Health & Safety Report - 1 February 2025 to 30 April 2025 (Recommendation to the Council)

The Health & Safety Manager took the report as read and responded to questions from Members concerning the progress of the standard operating processes review.

Resolved: (Mayor Southgate/Ms Bellette)

That the Strategic Risk and Assurance Committee recommends that the Council receives the report.

8. Risk Management Report

The Senior Risk and Resilience Advisor provided an update on the 7 strategic risks and the 2 emerging risks. Staff responded to questions from Members concerning financial risks, uncontrollable impacts, effects of political and legislative changes, government indications, risk to community facilities, induction programme for incoming council and other council responses to legislative change.

Staff Action: *Staff undertook to consider additional ways council staff can engage candidates to help them familiarise themselves with Council and matters of significance.*

Resolved: (Cr Thomson/Ms Bellette)

That the Strategic Risk and Assurance Committee receives the report.

The meeting was adjourned from 10.44am to 10.51am.

Mayor Southgate retired from the meeting (10.44am) during the above adjournment.

9. Audit New Zealand Update (Recommendation to the Council)

The Chief Financial Officer and Audit NZ representatives spoke to the report highlighting the effective communication between staff and Audit NZ, consolidation, stormwater reticulation, Councils financial position, controlled environments, previously raised issues and risk mitigation. They responded to questions from Members concerning the status of other councils, disclosure, depreciation impact and the decision of the Council regarding the city waters revaluation likely resulting in a qualified decision even if included.

Resolved: (Ms Bellette/Cr van Oosten)

That the Strategic Risk and Assurance Committee:

- a) receives the report;
- b) recommends that the Council approves the managements recommendation on the discontinuation of the presentation of Consolidated Financial Statements subject to confirmation of the treatment by Audit New Zealand; and
- c) notes the risks and impacts in relation to the revaluation of the Waters Reticulation asset classes for the Annual Report for the year ending 30 June 2025.

10. KPMG – Internal Audit Report

Representatives from KPMG spoke to report highlighting the review that was to start shortly and noted the draft plan would be presented to the September Strategic Risk and Assurance Meeting.

Resolved: (Mr Robertson/Cr Thomson)

That the Strategic Risk and Assurance Committee receives the report.

11. Other Independent Assurance Updates

The Chief Financial Officer and Arkus Representatives presented on the communications effectiveness review. They responded to questions from Members concerning Councillor involvement, future improvements, prioritisations and reporting mechanism for future reports back.

Resolved: (Deputy Mayor O’Leary/Ms Bellette)

That the Strategic Risk and Assurance Committee receives the report.

Deputy Mayor O’Leary retired from the meeting (11.52am) at the conclusion of the above item.

12. Organisational Improvement Report

The Chief Financial Officer spoke to the report and highlighted the planning being undertaken to address the maturity assessment.

Resolved: (Mr Robertson/Cr Thomson)

That the Strategic Risk and Assurance Committee receives the report.

13. Compliance Reporting Update

The Governance and Assurance Manager introduced the report noting the successful partnership with the internal communication team for privacy week. Staff responded to questions from Members concerning the review of the Elected Member code of conduct that was occurring.

Resolved: (Cr van Oosten/Cr Thomson)

That the Strategic Risk and Assurance Committee receives the report.

14. Annual Pre-Renewal Insurance Report

The Insurance Manager spoke to the report noting that there was a softening of the market on physical assets, the challenging insurance market and that the renewal is being taken in two stages.

Resolved: (Mr Robertson/Cr Thomson)

That the Strategic Risk and Assurance Committee:

- a) receives the report; and
- b) notes the market commentary and approach for the 2025/2026 insurance renewal.

15. Resolution to Exclude the Public**Section 48, Local Government Official Information and Meetings Act 1987****Resolved:** (Mr Robertson/Cr Thomson)

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 the Strategic Risk and Assurance Public Excluded Minutes 6 March 2025) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987	Section 48(1)(a)
C2. Legal Risks - Committee Update		
C3. Organisational Improvement Register - Public Excluded		
C4. SR3 Loss of Information or Access to Systems and Services		

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 prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to maintain legal professional privilege	Section 7 (2) (g)
Item C3.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C4.	to protect information which is subject to an obligation of confidence where disclosure would likely damage the public interest to enable Council to carry out commercial activities without disadvantage to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (c) (ii) Section 7 (2) (h) Section 7 (2) (j)

The meeting moved in the Public Excluded at 12.00pm

The meeting was declared closed at 12.15pm

Interim report to the Council

on the audit of
Hamilton City Council

For the year ending 30 June 2025

AUDIT NEW ZEALAND
Mana Arotake Aotearoa



Key messages

We have completed our interim visits in respect of our annual audit of Hamilton City Council (the City Council) for the year ending 30 June 2025. This report sets out our findings from our interim audit work.

Purpose and scope of our interim audit

The primary purpose of our interim audit was to update our understanding of the City Council's control environment and systems of internal control relevant to the audit. Our work included a review of information systems and processes. We have updated our understanding of the City Council's key financial and non-financial systems and internal controls to gain an understanding of the matters facing the City Council and how these are being addressed.

Control environment

We carried out a high-level assessment of the City Council's control environment and tested the relevant key financial and non-financial systems. This work has been completed for the purpose of planning the most effective and efficient audit approach, to enable us to express an audit opinion on the City Council's financial statements and service performance information for the year ending 30 June 2025.

In this report we have made some recommendations for improvement to the control environment, particularly around the rating information

database, the register of interests for elected members, and risk management.

Valuation of infrastructure assets

The City Council engaged an independent valuer to reassess its sewer, stormwater, and water assets as of 30 April 2025. We understand that the valuer's initial findings indicate a 120% increase in asset value. Due to the magnitude of this increase, management is uncertain about the accuracy of the valuation and has opted to delay recognition of the revaluation in the financial statements for the year ending 30 June 2025 pending further investigation.

The book value of these assets was \$1.917 billion in the 30 June 2024 annual report, meaning a 120% increase would be material, and if unadjusted in the 30 June 2025 annual report would likely to result in a qualified audit opinion.

Prior year recommendations

We have commented on the status of our prior year's recommendations in Appendix 1.

We have only commented on the recommendations we were able to follow up on during the interim visits. All other prior year recommendations will be followed up and reported on at the completion of our 30 June 2025 audit.

Thank you

We would like to thank the Council, management, and staff for the assistance they provided during the audit.

A handwritten signature in blue ink, appearing to read 'Athol Graham', is positioned above the printed name.

Athol Graham

Appointed Auditor

11 June 2025

System of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of the system of internal control. The system of internal control may be reflected in policy and procedures manuals, systems, and forms, and is implemented by the management team.

Our audit considers the system of internal control to the extent that it is relevant to preparing the financial statements and service performance information. We evaluate the system of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances. We did not consider matters unrelated to the audit that may be relevant to the Council and management.

Foundations of the system of internal control

The control environment sets the tone of the organisation and provides an overall foundation for the operation of the other components of the system of internal control. Similarly, your risk assessment process and process for monitoring the system of internal control are designed to operate in a manner that also supports the entire system of internal control. Because these components are foundational to your system of internal control, any deficiencies in their operation could have pervasive effects on the preparation of the financial statements and service performance information.

We performed an assessment of the control environment, risk management process, and monitoring of controls relevant to financial and

service performance reporting. We considered the tone set by the Council and management, and whether the control environment provides an appropriate foundation for other components of the system of internal control. We also considered whether your risk assessment processes and process for monitoring the system of internal control are appropriate to your circumstances.

We advised management that there may be opportunities to strengthen the risk management framework and specifically the assessment of the controls identified to mitigate risks to an acceptably low level. For example, implementation of a cyclical assurance programme over the operational effectiveness of key controls.

Controls

Controls are the policies and processes that are established to achieve the control objectives of the Council and management. Controls relevant to the audit are those designed to provide reasonable assurance over the reliability and accuracy of financial and service performance information reporting.

We reviewed your information systems, business processes, and control activities, focussing on information processing controls that directly address risks to the integrity of financial and service performance information. We evaluate the design of relevant controls and consider whether the control, individually or in combination with other controls, is capable of effectively preventing, or detecting and correcting, material misstatements.

Please note our assessment is not intended to provide you with assurance on internal control. As such, we provide no assurance that our assessment will necessarily identify and detect all matters in relation to internal control.

We reviewed the following key systems:

- Expenditure
- Payroll
- Revenue
- Fixed assets
- Treasury (including accounting for derivatives)
- General ledger reconciliations and journals
- Systems used to capture and report service performance data for the performance measures that we have identified as key.

Based on our work to date, we are planning to take a substantive approach to our audit of the City Council's financial systems, either because we could not identify effective internal controls or because it would be less efficient for us to rely on those controls.

As a result of our interim audit work to date, we bring the following matters to your attention.

Rating information database – review of changes to the masterfile

While changes to the rating information database are approved before the change is made, we understand no independent review process is performed to ensure the change in the masterfile has been made

accurately. The risk to the City Council is that changes could be made inaccurately, which could affect rates assessed on properties.

We recommend management implement systems and/or processes to ensure changes to the masterfile are evidenced as reviewed on a regular basis or are part of the approval process.

Best practice would see the review function performed independently by an appropriate staff member, that is, the reviewer does not have the ability to make changes to the masterfile.

Conflict of interests register

We performed a search of the Companies and the Charities Registers and compared our findings to the register of interests for elected members and the conflict-of-interest declaration forms for the Executive Leadership Team. We found instances where some interests had not been declared or had not been recorded on the conflict of interests register.

We recommend the register of interests, and conflict of interest declaration forms are updated on an ad-hoc basis as and when interests arise.

Service performance information

We reviewed the City Council's systems and controls for reporting service performance information. We have selected a suite of performance measures as material measures for the audit. For those material measures, we focused on understanding whether the City Council has appropriate systems in place to accurately report against those measures

that we believe are key to understanding the City Council's overall performance. Based on our work to date, we are planning to take a substantive approach to our audit of the Council's service performance reporting, either because we could not identify effective internal controls or because it would be less efficient for us to rely on those controls.

Other matters identified during the interim audit



Valuation of infrastructure assets

The City Council revalues its infrastructure assets whenever there is expected to be a material movement in the fair value of those assets. The City Council engaged an independent valuer to revalue its sewer, stormwater and water assets as at 30 April 2025.

Based on discussions with management, the valuer has completed their initial valuation resulting in a 120% increase in the value of these assets.

Due to the significant increase in the value of the water assets, management advised they intend investigate the movement with the valuer. They expect this work to be significant and have advised that they are not expecting to be able to adjust the 30 June 2025 financial statements for the new asset values.

The book value of these assets was \$1.917 billion in the 30 June 2024 annual report, meaning a 120% increase would be material, and if unadjusted in the 30 June 2025 annual report would likely to result in a qualified audit opinion.

We are yet to determine the exact nature of the audit opinion, but it would likely be one of the following:

- non-compliance with generally accepted accounting practice (GAAP) as the City Council has not complied with their accounting policy to account for the assets at fair value; and/or
- limitation of scope as both the City Council and we are unable to determine if the City Council has/has not complied with GAAP.

Should Council decide to not adjust the financial statements they should determine what disclosures to include in the annual report that would enable a reader to understand the impact of this decision on the financial statements.

Reporting entity

Management considered whether they are still required to prepare group financial statements following the disestablishment of Waikato Innovation Growth Limited in the 2024 financial year. They also performed an assessment to determine whether the City Council has control over the Waikato Regional Property Trust (the Trust).

The City Council provided \$24.65m of grant funding to 30 June 2024 to the Trust for the construction of the Waikato Regional Theatre which included conditions in favour of the Council. The Long-term Plan also committed annual funding for each year of the plan towards the maintenance of the theatre building.

We reviewed management's assessment and agreed that the Trust is not controlled by the City Council for financial reporting purposes and also agreed that group financial statements are no longer required.

Quality and timeliness of information provided for audit

To enable the smooth delivery of the interim audit, management needed to provide information for audit in a timely manner, including supporting working papers. To facilitate this, we agreed key deliverables and timeframes with management to meet the expected timelines.

Fortnightly meetings between management and audit were held to track the status of key issues critical to the audit. This has facilitated the resolution of issues early in the process, as well as allowed for the preparation of a detailed milestones document, outlining key delivery dates of information for both management and audit. Some of the key issues that have been discussed at these meetings are:

- Waikato Regional Property Trust;
- Rotokauri and Templeton development – understanding the arrangements and the accounting implications of these developments, if any; and
- Valuation of water assets, land and buildings.

Information was generally provided to us in a timely manner and by the due dates set. This allowed the interim phase of the audit to proceed efficiently and reduced the level of interruption in the Finance team. We appreciated the Council's assistance throughout the interim audit.

There are aspects of the audit that we are working with management on to be able to bring more work forward and ensure the final audit is as smooth as possible. These aspects include work on performance

information, reviews of capital work-in-progress, and valuations of land and buildings, and investment properties.

Summary of recommendations for improvement



Overview of new recommendations

Recommendation	Priority
Management implements systems and/or processes to ensure changes to the rating information database masterfile are reviewed on a regular basis.	⚠ Medium
Update the register of interests and conflict of interest declaration forms as and when interests arise.	🟢 Low
Implement a cyclical assurance programme over the operational effectiveness of key controls in the risk management framework.	⚠ Medium

Our recommendations and their priority are based on our assessment of the extent and urgency of improvement from current practice to a standard that is appropriate for the size, nature, and complexity of your business.

Status of previous recommendations

Status	Priority			
	🚨 High	⚠ Medium	🟢 Low	Total
Open	–	3	–	3
Implemented or closed	–	3	–	3
Recommendations to be followed up at during our pre-final and final audit visits	5	4	–	9
Total	5	10	-	15






See [Appendix one](#) for details of previous recommendations.






Appendix 1



Status of previous recommendations



Recommendation	Priority	First raised	Status
Sensitive expenditure Update sensitive expenditure policies to include additional matters included in the Office of the Auditor-General's (OAG) updated sensitive expenditure guidance, where relevant to the City Council.	🟡 Medium	2024	The sensitive expenditure policies have not been updated.
Manual processing of weekly timesheets The City Council implements an online timesheet function for processing weekly timesheets to improve the accuracy and efficiency of this process. Alternatively, the responsibility for capturing weekly timesheets could be delegated to an individual within the various departments, and the payroll staff members could then just perform a review of the captured information.	🟡 Medium	2019	An online timesheet function will be included in the new payroll system that is expected to be implemented in 2026.
Full review of Authority users and their access levels Cyclical full reviews of users and their access levels in Authority are completed to ensure access remains appropriate.	🟡 Medium	2024	Management is in the process of completing an Authority Users Audit. To date, the City Council has removed Authority access for non-employees and employees who are no longer employed at the City Council and restricted access to Level 1 Authority Security to the finance and assets team in Digital Services. Management is currently reviewing each user's access role is appropriate for their position.

Recommendation	Priority	First raised	Status
Network privileged user management Improve the management and monitoring of privileged network user accounts including accounts that have direct access to the underlying database.	 Medium	2024	Closed. The City Council has performed a review and reduced the number of privileged network user accounts.
IT changes are not following appropriate change management practices All IT changes are logged and approved prior to changes being made. A record of testing and approvals should also be maintained in the change management system.	 Medium	2024	Closed. The City Council has formalised and implemented their IT change procedures.
Fraud and corruption management policy Review and update the Fraud and Corruption Management policy to include all minimum expected key elements. We also recommended the City Council consider other mechanisms to send a clear message of zero tolerance for fraudulent behaviour.	 Medium	2024	Closed. The City Council updated the Fraud and Corruption Management policy in February 2025 to include the minimum expected key elements of a fraud policy.
Quality and timeliness of information provided for audit Stronger project management and QA processes are implemented for the preparation of the annual report. Any significant issues, risks or judgements should be flagged as early as possible and supported by robust work papers.	 High	2024	This will be followed up at our final audit and reported in the final management report.
Fair value of revalued assets in a non-revaluation year To determine if there is a significant movement in the fair value of assets in a non-revaluation year, the City Council should use the carrying value at year end.	 High	2024	This will be followed up at our final audit and reported in the final management report.

Recommendation	Priority	First raised	Status
Work in progress (WIP) Project and Asset Managers review the remaining WIP balances on a regular basis to ensure that projects are being capitalised when completed.	 High	2024	This will be followed up at our final audit and reported in the final management report.
Timely capitalisation of vested assets Asset Managers should provide information to the financial team monthly to ensure vested assets are capitalised in a timely manner.	 High	2024	This will be followed up at our final audit and reported in the final management report.
Roading smoothness survey – traffic counts Implement a process to improve the reliability of the traffic count survey data used to estimate road smoothness.	 High	2024	This will be followed up at our final audit and reported in the final management report.
Impairment assessment After application of the equity method to account for the City Council's share of surpluses/(deficits) and other comprehensive income reported by the Waikato Regional Airport (WRAL) group, apply PBE IPSAS 36, <i>Investments in Associates and Joint Ventures</i> to determine whether there is any objective evidence that the City Council's net investment in the WRAL group in the Council's financial statements is impaired.	 Medium	2024	This will be followed up at our final audit and reported in the final management report.
PBE FRS 48 Service Performance Reporting Include further information about the surveys used in the service performance information to ensure full compliance with PBE FRS 48, <i>Service Performance Reporting</i> .	 Medium	2024	This will be followed up at our final audit and reported in the final management report.

Recommendation	Priority	First raised	Status
Compliance with the Local Government Act 2002 Disclose in the annual report the identified effects for each group of activities, including any negative effects, to ensure compliance with the Local Government Act 2002.	 Medium	2024	This will be followed up at our final audit and reported in the final management report.
Condition data available for valuer Condition data is included in asset registers and available for valuers.	 Medium	2023	This will be followed up at our final audit and reported in the final management report.

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

PO Box 1165
Auckland 1140
Phone: 04 496 3099

www.auditnz.parliament.nz

