Audit and Risk Committee
OPEN MINUTES

Minutes of a meeting of the Audit and Risk Committee held in Council Chamber, 401 Grey Street, Hamilton East on Wednesday 1 March 2017 at 9.05am.

Chairperson          H Stevens
Deputy Chairperson   Cr J Hennebry
Present              Cr B Simcock
                      Cr H Vercoe
External Member      G Naylor
Ex-officio           Cr A Livingston
Staff                 V Payne – Chief Executive
                      M Garrett – Chief Financial Officer
                      K Bennett – Manager CE’s Office
                      J Becker – Finance Manager
                      J Robertson – Acting Democracy Advisor
Apologies
(Agenda Item 1)

There were no apologies.

Confirmation of Agenda
(Agenda Item 2)

Cr Hennebry moved/G Naylor seconded

AR17/1
RESOLVED
THAT the agenda of the Audit and Risk Committee of 1 March 2017 as circulated be confirmed as the business for the meeting.

The motion was put and carried (AR17/1)

Disclosures of Interest
(Agenda Item 3)

H Stevens disclosed his interest as a Director of Counties Power Ltd with regard to Item 13 and advised that he would not partake in the discussion and that Councillor Hennebry would take the chair for this item.

SECTION A: (UNDER DELEGATION FOR THE INFORMATION OF COUNCIL)

Matters Arising from Previous Meetings’ Minutes
File: 03 02 27 (Agenda Item 4) Doc # 9876276, 9609666, 3321066

The Chief Financial Officer (M Garrett) outlined the actions and matters arising from the informal Audit and Risk Committee meeting held on 6 December 2016 prior to Council’s confirmation of the new committee structure. The report included a work plan for the Audit and Risk Committee for the 2016/17 year.

Arising from questions, answers and related discussion, the following matters were noted:

- The Committee’s Terms of Reference required updating to reflect that this group had changed from a subcommittee to a full committee that reported directly to Council. It was noted that the change to a committee had reflected the importance of the work undertaken by this group.
- Terms of Reference Clause 4(c) “Review whether appropriate policies and procedures are in place for the management and exercise of delegations” should be reviewed to clarify whether that included such matters as interests’ register, gifts register, annual leave, complaints process, and Health and Safety. The clause could maybe include a general comment on anything else that was relevant.
- Clarification would be required with regard to adoption of the financial statements which occurred each August. Depending on timing, it was anticipated that the Audit and Risk Committee would make a recommendation to the Finance Committee providing negative assurance on the financial statements with respect to the scope of the work undertaken by Audit and Risk Subcommittee.
• A report from Tonkin and Taylor with regard to loss modelling work and Council’s infrastructure asset insurance in the Hauraki area was expected in the near future.
• KPMG had been requested to undertake a comparison of council complaints processes across the Bay of Plenty and Waikato districts. It was understood that few Regional Councils had implemented a complaints process similar to that of Waikato Regional Council, however all available data would be included in the comparison.

Cr Livingston moved/G Naylor seconded

AR17/2

RESOLVED

1. THAT the report ‘Matters arising from previous meetings minutes’ (Doc # 9876276 dated 21 February 2017) be received; and

2. THAT the notes of the informal meeting of the Audit and Risk Subcommittee held on 6 December 2016 be confirmed as a true and correct record (Doc # 9609666).

The motion was put and carried (AR17/2)

Risk Management Activity Key Projects Update

File: 03 02 27 (Agenda Item 5) Doc # 9535278

The Manager, CE’s Office (K Bennett) provided an update on risk management activities and key project risks, including:

• Risk management update
• Health and safety – Council dashboard
• Asbestos response plan
• Legal Compliance (ComplyWith)
• Key organisational project updates
  (a) Healthy Rivers Wai Ora.
• Feedback and complaints

Arising from questions, answers and related discussion, the following matters were noted:
• A risk management workshop would be held on 9 March 2017 to review the existing top 10 risks and consider any changes. The workshop would be facilitated by KPMG with Councillors and senior staff in attendance. Background papers would be distributed nearer the time of the workshop.
• The Finance Committee had requested a ‘rolling’ report on the total costs spent over all years on major projects such as Healthy Rivers Wai Ora.
• The latest legislative reporting round indicated a very high level of compliance across the organisation. Staff were trained to have a good knowledge of their obligations and the reporting document was tailored for individual positions. Random checking would be undertaken. In time, after a number of results had been obtained, the trends could be identified.

Health and Safety

The People and Capability Manager (N Ollington) presented an update on Health and Safety risks and the Council dashboard.
Arising from questions, answers and related discussion, the following matters were noted:

- The focus would be on building competence, having good controls and adequately managing the risk with regard to contractors and staff members working alone or in isolated areas.
- There were Health and Safety issues with regard to volunteers that would need to be resolved, with the Department of Conservation, for example, experiencing the same questions around volunteer trappers and who was responsible in the event of an accident.
- There was also a responsibility for Council to ensure that the public was not exposed to risk when work was being undertaken. Some organisations would be conservative and withdraw from activities in order not to be exposed to carrying the risk.
- A request was made for a report indicating the average leave hours per employee and the trends compared with other similar organisations.
- The focus on annual leave should be to ensure staff take leave each year in sufficiently large blocks, such as two weeks, to return to work with a refreshed outlook. This was a different perspective from how much holiday pay was owed. It could be useful to know if there were staff who never took leave in blocks.
- Appropriate controls were in place to manage asbestos in Council buildings.

The Manager, CE’s Office (K Bennett) provided a presentation [Doc # 10051727] on the new feedback and complaints system, noting response times and escalation of complaints.

Arising from questions, answers and related discussion, the following matters were noted:

- The graph showed the number of complaints that were referred to a Directorate, for example Finance Office, but they were complaints about rates not the Finance Office itself.
- If a complaint was not responded to within 48 hours, a reminder was sent to the staff member and the manager was advised. Staff kept in touch with the customer to update them on how the complaint was being managed. It was organisational practice for a response to be sighted by a manager.
- The Customer lead role could undertake ‘spot checks’ to review responses and the manner or tone of the response.
- The graph showing feedback and complaints by status, subject and priority could be useful in identifying problem areas, although currently there were no obvious issues.

Cr Vercoe moved/Cr Hennebry seconded

**AR17/3**

**RESOLVED**

THAT the report ‘Risk management activity and key projects update’ (Doc # 9535278 dated 14 February 2017) be received for information.

The motion was put and carried (AR17/3)

**SECTION B: (FOR RECOMMENDATION TO COUNCIL)**


File: 04 01 60 (Agenda Item 6) Doc # 9987051

David Walker and Jared Williams from Audit NZ were in attendance to provide an update.

Arising from questions, answers and related discussion, the following matters were noted:
- The dates contained in the letter from Audit NZ would be reviewed to better align with the work of this Committee and Council.
- Fraud was currently a key item for the Office of the Auditor-General in oversight of the public sector and the auditors would look at journal entries, the risk of management override, and access available to other people. They currently had no specific concern but would maintain a watching brief.
- With regard to the proposed audit fees, the meeting was advised that the Office of the Auditor-General in Wellington undertook a review of each proposal to compare fees in the public sector. When APL legislation changed two or three years ago, the audit fees probably should have been increased at that time but Audit NZ had not done so because Council was in the midst of a three-year budget cycle.
- Concern was expressed at the fee increase of nearly 10% and what was reflected in the increase. Audit NZ were requested to review their costings, including the actual total for 2016 of 901 hours compared with the budget of 718 hours for that year.

Cr Livingston moved/Cr Hennebry seconded

AR17/4

RESOLVED
THAT the report ‘Audit Arrangements Letter 2017/2018 and Audit Proposal Letter for 2017, 2018 and 2019’ (Doc # 9987051 dated 20 February 2017) be received for information; and

RECOMMENDED
THAT the Council Chair sign the Audit Arrangements Letter 2017/18 and Audit Proposal Letter for 2017, 2018 and 2019 subject to agreement on the fees.

The motion was put and carried (AR17/4)

SECTION A: (UNDER DELEGATION FOR THE INFORMATION OF COUNCIL)

Internal Audit Programme Update
File: 08 02 01 (Agenda Item 7) Doc # 9952372

KPMG representatives, David Sutton and Cushla Parish, provided a status update on the internal audit programme.

Arising from questions, answers and related discussion, the following matters were noted:
- As part of the internal audit programme, KPMG had recently completed fieldwork for an assessment of health and safety practices, with a particular focus on working around water and sole worker practices. Feedback would be provided to the Committee at the next meeting.
- The business continuity review would have a focus on crisis management, how to get the business back up and running, and ensuring that people would know what to do in the event of an emergency.
• The asset management and flood protection review would look at management of the assets and maintaining the condition of those assets, and ensure that Council was not accepting risks inappropriately.
• The bus revenue collection review focussed on systems and interaction with bus operators.
• The scope for the IT strategy and governance review had now been agreed and a date for work to commence was yet to be scheduled.
• At its next meeting the Committee expected to receive reports on regulatory decision making for bond regimes, suspicious transaction analysis, and the Health and Safety assessment.
• Council’s IT strategy had previously been presented to Council through the budget process, resulting in increased funds being allocated to IT to retain the customer focus and to meet Council’s objectives. It was time to refresh that plan and put it before Council. The biggest risk for IT was that it not be aligned with strategy.

The meeting adjourned at 10.50 am and resumed at 11.06 am.

G Naylor moved/Cr Hennebry seconded

AR17/5

RESOLVED

THAT the report ‘Internal Audit Programme Update’ (Doc # 9952372 dated 14 February 2017) be received.

The motion was put and carried (AR17/5)

Insurance Programme Update

File: 08 12 01A (Agenda Item 8) Doc # 9927438

The Chief Financial Officer (M Garrett) provided an update on activity within the Council’s Insurance Programme.

Arising from questions, answers and related discussion, the following matters were noted:
• Public liability and professional indemnity insurance would be on a ‘claims notified’ basis and would have a ‘tail’ that should be covered. Whilst Riskpool would continue to exist but would not be writing new business from 1 July 2017, the PL and PI cover would need to be managed during the transition.
• The Fire Service has been reviewing their levy structure and would forward notification of a revised Fire Service Levy, which would impact on the LASS collective insurance policy. In the meantime, an extra budget provision had been included for the coming year.

H Stevens moved/Cr Livingston seconded

AR17/6

RESOLVED

THAT the report ‘Insurance Programme Update’ (Doc # 9927438 dated 13 February 2017) be received.

The motion was put and carried (AR17/6)
SECTION B: (FOR RECOMMENDATION TO COUNCIL)

**Draft Policy Review Schedule**

File: 01 63 01 (Agenda Item 9) Doc # 9992372 & 9703418

The Manager CE’s Office (K Bennett) presented the draft Policy Review Schedule and noted that the schedule would be converted into a calendar format to identify a timetable for the reviews.

Arising from questions, answers and related discussion, the following matters were noted:

- The schedule was beneficial to the Committee and in addition would be required for the coming Audit NZ audit.
- The Committee’s responsibility was not to undertake policy reviews but to ensure that the policies were reviewed according to the timetable.
- Quarterly reporting was planned for each meeting of the Committee.

Cr Vercoe moved/Cr Hennebry seconded

AR17/7

**RESOLVED**

THAT the report ‘Draft Policy Review Schedule’ (Doc # 9992372 dated 21 February 2017) be received for information.

**RECOMMENDED**

THAT the Draft Policy Review Schedule (Doc # 9703418) be approved.

The motion was put and carried (AR17/7)

SECTION A: (UNDER DELEGATION FOR THE INFORMATION OF COUNCIL)

AR17/8

**Resolution to Exclude the Public**

Cr Hennebry moved/Cr Livingston seconded

**RESOLVED**

THAT in accordance with the provisions of Standing Orders NZS 9202:2003 Incorporating Amendment No 1, Appendix A&B (p40/42) and Section 48 of the Local Government Official Information and Meetings Act 1987, the public be excluded from the following part/s of the meeting:

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 are as follows:
<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item Name and general subject of each matter to be considered</th>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Ground(s) under Section 48(1) for the passing of this resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Public Excluded Notes of the Informal Meeting of the Audit and Risk Subcommittee 6 December 2016</td>
<td>Good reason(s) to withhold exist(s) under Section 7</td>
<td>Section 48 (1) (a)</td>
</tr>
<tr>
<td>12</td>
<td>Potential Liability Claims</td>
<td>Good reason(s) to withhold exist(s) under Section 7</td>
<td>Section 48 (1) (a)</td>
</tr>
<tr>
<td>13</td>
<td>Pump Station Power Supply Ownership – Franklin Waikato Area</td>
<td>Good reason(s) to withhold exist(s) under Section 7</td>
<td>Section 48 (1) (a)</td>
</tr>
<tr>
<td>14</td>
<td>Coromandel Incident Review</td>
<td>Good reason(s) to withhold exist(s) under Section 7</td>
<td>Section 48 (1) (a)</td>
</tr>
</tbody>
</table>

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 are as follows:

<table>
<thead>
<tr>
<th>Item No</th>
<th>Reason/s for withholding official information</th>
<th>Section/s</th>
</tr>
</thead>
<tbody>
<tr>
<td>13, 14</td>
<td>Protection of privacy of natural persons</td>
<td>S7 (a)</td>
</tr>
<tr>
<td>11, 12</td>
<td>To protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</td>
<td>S7 (b) (ii)</td>
</tr>
<tr>
<td>11, 12, 13, 14</td>
<td>To maintain legal professional privilege</td>
<td>S7 (g)</td>
</tr>
<tr>
<td>11, 12</td>
<td>Enable the local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</td>
<td>S7 (i)</td>
</tr>
</tbody>
</table>

The motion was put and carried (AR17/8)

Return to Open Meeting at 12.09 pm

Meeting closed at 12.10 pm

Doc # 10029661