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 Friday 10 August 2018 at 9.02am.

<table>
<thead>
<tr>
<th>Present</th>
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<tbody>
<tr>
<td>Chairperson</td>
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<tr>
<td>Deputy Chairperson</td>
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<tr>
<td>External Member</td>
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<td>Ex-officio</td>
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<table>
<thead>
<tr>
<th>Staff</th>
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</thead>
<tbody>
<tr>
<td>M Garrett – Chief Financial Officer</td>
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<tr>
<td>K Bennett – Manager CE’s Office</td>
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<tr>
<td>S Jones – Senior Legal Advisor</td>
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<tr>
<td>J Becker – Finance Manager</td>
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<td>S McLeay – Democracy Advisor</td>
</tr>
</tbody>
</table>
Apologies (Agenda Item 1)

Apologies were received from Cr Simcock

Cr Livingston moved/Cr Hennebry seconded

AR18/35

RESOLVED

THAT the apologies from Cr Simcock be accepted.

The motion was put and carried (AR18/35)

Confirmation of Agenda (Agenda Item 2)

The Chair advised that a number of items on the agenda involved outside presenters, therefore some of the items may be considered out of the order listed in the agenda.

Cr Vercoe moved/Cr Livingston seconded

AR18/36

RESOLVED

THAT the agenda of the Audit and Risk Committee of 10 August 2018 as circulated be confirmed as the business for the meeting.

The motion was put and carried (AR18/36)

Disclosures of Interest (Agenda Item 3)

There were no disclosures of interest noted.

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

Matters Arising from Previous Meetings Minutes (Agenda Item 4) Doc # 12751007 and 12401187

Chief Financial Officer (M Garrett) presented a review of actions and matters arising from the previous Audit and Risk Committee meetings.

Cr Vercoe moved/Mr Naylor seconded

AR18/37

RESOLVED

THAT the report ‘Matters arising from previous meetings minutes (Doc # 12751007 dated 10 July 2018) be received.

The motion was put and carried (AR18/37)
Cr Vercoe moved/Mr Naylor seconded

**AR18/38**

**RESOLVED**

THAT the minutes of the Audit and Risk Committee meeting held on 14 May 2018 be confirmed as a true and correct record (Doc # 12401187).

The motion was put and carried (AR18/38)

**Review of Gifts and Hospitality Policy**

(Agenda Item 5) Doc # 12811617

Chief Financial Officer (M Garrett) presented the options for staff receiving gifts and hospitality and recommendation from the Executive Leadership Team for the consideration and endorsement by the Committee.

During discussion, the following was noted:
- One member expressed a view that staff should not accept gifts
- The recommendation to retain the current policy without change was supported given the high level of staff compliance including reporting.
- Hospitality invites provided valuable networking opportunities.
- Although voluntary, gifts tended to be shared with teams.
- Most gifts recorded did not have to be declared, having a value of less than $50.
- Achieving a high level of disclosure was a priority.

Cr Vercoe moved/Cr Livingston seconded

**AR18/39**

**RESOLVED**

THAT the report ‘Review of Gifts and Hospitality Policy’ (Doc # 12811617 dated 16 July 2018) be received.

The motion was put and carried (AR18/39)

Mr Stevens moved/Cr Livingston seconded

**AR18/40**

**RESOLVED**

THAT the Audit and Risk Committee endorse the recommendation from the Executive Leadership Team that the current Gifts and Hospitality Policy is retained.

The motion was put and carried (AR18/40)

Cr Hennebry voted against the motion

Cr Livingston left the meeting at 9.23am and returned at 9.30am

**Risk Management Activity Update and Key Project Risks**

(Agenda Item 6) Doc # 12657927

Manager, CE’s Office (K Bennett) updated the Audit and Risk Committee on Council’s risk management activities and key project risks. This included an update on research being undertaken by Council to establish the extent of current and historical use of per- and polyfluoroalkyl substances in the region.
During discussion, the following was noted:

- Questions received from staff provided evidence that the risk matrix was a practical tool used by staff to assist service delivery.
- The matrix provided staff with guidance when dealing with the subjective components of decision making. This resulted in greater decision consistency.
- The word “insignificant” could be replaced with “immaterial” or “not material”.
- Consideration of reputational risk acted as an additional filter ensuring that the overall level of risk was accurately identified.
- In relation to financial matters, the real issue was variability from budget or expectation. “Loss” wasn’t necessarily a good word to use when dealing with financial risk. It could be replaced with a description that emphasised variance and materiality. Financial risk could be described in terms of a variance percentage or descriptor. For instance a descriptor could be “it is uneconomic to pursue”. Context must always be taken into account. Notes about this should be included as guidance. Staff undertook to make suggested changes and report back to the Committee.
- Council must accept some risk to succeed. This required a measured approach using risk assessment as a guide. Risk management involves complex judgement and is not a discipline where absolutes are useful.
- KPMG had drafted a review of the stakeholder engagement strategy which would inform strategy change.
- The idea of ratepayer forums had been discussed as an option in the past. Consultation and public engagement was most effective when issues were viewed by the public as having subjective importance.
- The List of Mitigation Actions on page 31 of the agenda provided a useful overview. Explanations would be given for those actions not on track. The traffic light approach was well received. It would be useful to have items set out in order of importance starting with most important at the top. It was requested that economic regional development be included to measure community wellness.
- In relation to the Health and Safety report on page 36 of the agenda, the high uptake of the influenza vaccine at the beginning of the winter season was pleasing. Vehicle incidents and near misses posed the highest level of health and safety risk. Additional information was requested relating to staff wellness in future reporting noting what actions were being undertaken in that area.
- The feedback and complaints quarterly report showed a steady pattern. Teams dealing with the public most had the highest number of complaints and compliments. The complaints process was under review.
- Complaints provided important information in the area of passenger transport. It would be useful to report on complaints against number of passengers. Driver behaviour and dangerous driving were notable themes in complaints received. Staff advised that the complaint data was discussed with GoBus management and action plans to reduce were in place.
- Issues arising from the Havelock North drinking water enquiry had been superseded by the Three Waters Review. Risk minimisation strategies dealing with the later would be reported.

Cr Vercoe moved/Mr Naylor seconded

**RESOLVED**

*THAT the report ‘Risk Management Activity and Key Projects Update’ (Doc # 12657927 dated 27 July 2018) be received.*

The motion was put and carried (AR18/41)
External Audit Updates
(Agenda Item 7) Doc # 11872058, 12826228, 12814656 and 12796083

Finance Manager (J Becker) and Manager Audit New Zealand (J Williams) provided an update on the outcomes of the audit of the final 2018-2028 Long Term Plan and the interim audit for the 2017/18 Annual Report.

During discussion, the following was noted:
- A member expressed concern that the two year rail trial had become to a five year start up. Staff advised that this had been required given the significant central government funding contribution. Further, the draft Long Term Plan assumed funding for the service over the full 10 year period.
- Prompt resolution of discrepancies between staff leave and timesheet records was necessary to reduce risk of inaccuracies.
- Care needs to be taken ensure that the Long Term Plan document remains user friendly, particularly avoiding unnecessary content.

Cr Livingston moved/Cr Vercoe seconded

**AR18/42 RESOLVED**
THAT the report ‘External Audit Update’ (Doc # 11872058 dated 20 July 2018) be received.

The motion was put and carried (AR18/42)

The meeting adjourned at 10.33am and reconvened at 10.46am

SECTION B: (FOR RECOMMENDATION TO COUNCIL)

Internal Audit Programme Update
(Agenda Item 8) Doc # 12665687 and 12825080

Manager, CE’s Office (K Bennett) provided a status update on the internal audit programme. Ms Parish and Mr Sutton from KPMG spoke to their Internal Audit activity update report.

During discussion, the following was noted:
- The audit programme was full and needed to remain under review to ensure the higher priority items were reviewed ahead of others to ensure spend stayed within budget.
- Some items could be deferred such as the effectiveness of management reporting and those relating to organisational culture.
- The corporate system replacement project required a periodic independent project review and audit given the inherent level of risk. Staff to report back how this could be funded.

Mr Naylor moved/Cr Livingston seconded

**AR18/43 RESOLVED**
THAT the report ‘Internal Audit Programme Update’ (Doc # 12656587 dated 27 July 2018) be received.

The motion was put and carried (AR18/43)
Mr Nayor moved/Cr Livingston seconded

**AR18/44**

**RECOMMENDED**

THAT the draft internal audit plan and assurance map for the next three years be approved in principle subject to management feedback on priorities and funding.

The motion was put and carried (AR18/44)

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

**Waikato Regional Council Flood Protection Asset Risk Management**

(Agenda Item 9) Doc # 12795385

Manager Business and Technical Services (G Ryan) provided an overview of the work areas currently underway to manage the risk associated with the flood protection assets managed by Council, and in particular the progress that has been made since the last report (May 2018).

During discussion, the following was noted:

- Following remediation, the integrity of the Ngatea stop bank would be regularly reviewed. This would determine the timing for any future remedial works.
- The flood protection communication initiative had been delayed due to the requirement to attend to other Council priorities. The importance of landowner understanding of the level of service that flood protection provides must be given sufficient priority to minimise reputational risk that inadequate community understanding creates. Staff undertook to recommence work on the initiative including providing the Committee with a detailed communication plan recording action time frames and the names of staff responsible.
- In addition staff would report to the next meeting on the review of stopbank land use including time frames and staff responsible. Grazing on stop bank land has a negative impact on asset integrity and this needs to be addressed.

Cr Vercoe moved/Cr Hennebry seconded

**AR18/45**

**RESOLVED**

THAT the report ‘Waikato Regional Council flood protection asset risk management’ (Doc # 12795385 dated 20 July 2018) be received.

The motion was put and carried (AR18/45)

**Policy Review Schedule Update**

(Agenda Item 10) Doc # 12655897

Senior Legal Advisor (S Jones) provided an update on the Council policies that were due for review this quarter.

Mr Stevens moved/Cr Livingston seconded
RESOLVED THAT the report ‘Policy Review Schedule Update’ (Doc 12655897 dated 27 July 2018) be received.

The motion was put and carried (AR18/46)

SECTION B: (FOR RECOMMENDATION TO COUNCIL)

Key Accounting Estimates and Assumptions for the Year Ended 30 June 2018
(Agenda Item 11) Doc # 12728503

Finance Manager (J Becker) presented the remaining key accounting estimates and assumptions to be incorporated into the 2017/18 Annual Report for the consideration and approval of the Audit and Risk Committee.

During discussion, the following was noted:
• The Ngatea stopbank remedial sheet piling had a lifespan of 40 years in saline conditions and would be depreciated with that in mind.
• A high level of assurance was required that assets were appropriately revalued due to the impact on setting rates moving forward. The materiality of asset revaluation needed to be clear due to its impact on the balance sheet. Staff undertook to verify the independent advice against contracts let and project estimates.
• An actuarial valuation had been undertaken of staff entitlements.

Cr Livingston moved/Mr Naylor seconded

RESOLVED THAT the report ‘Key accounting estimates and assumptions for the year ended 30 June 2018’ (Doc # 12728503 dated 10 July 2018) be received.

The motion was put and carried (AR18/47)

AR18/47

Cr Livingston moved/Mr Naylor seconded

RECOMMENDED THAT the Audit and Risk Committee confirm the appropriateness of the key accounting estimates and assumptions to be incorporated into the 2017/18 Annual Report.

The motion was put and carried (AR18/48)

Insurance Programme Update
(Agenda Item 12) Doc # 12781166

Finance Manager (J Becker) provided the Committee with an update on Council’s insurance programme, including market indications that will affect the November 2018 renewal and claims notified since the last Committee meeting.

During discussion, the following was noted:
- Staff would provide the Committee with Council’s insurance collective loss ratio in relation to material damage and infrastructure cover. To date the collective arrangement had achieved significant premium savings.
- The vehicle fleet was not included in the collective.

Cr Hennebry moved/Mr Naylor seconded

**AR18/49**

**RESOLVED**  
THAT the report ‘Insurance Programme Update’ (Doc # 12781166 dated 18 July 2018) be received.

The motion was put and carried (AR18/49)

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

**AR18/50 Resolutions to Exclude the Public**  
(Agenda Item 13)

Mr Stevens moved/Cr Livingston seconded

**RESOLVED**  
THAT 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>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>14 Potential Liability Claims</td>
<td>Good reason to withhold exists under Section 7.</td>
<td>That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)</td>
</tr>
<tr>
<td>15 Key Project Risks</td>
<td>Good reason to withhold exists under Section 7.</td>
<td>That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists. Section 48(1)(a)</td>
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### Fraud Risk Register Update

<table>
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<tr>
<th>Item No</th>
<th>Interest</th>
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<tbody>
<tr>
<td>16</td>
<td>Good reason to withhold exists under Section 7.</td>
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</tbody>
</table>

This resolution is made in reliance on sections 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 7 of that Act, which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

<table>
<thead>
<tr>
<th>Item No</th>
<th>Interest</th>
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<tbody>
<tr>
<td>14, 15a, 17 &amp; 18</td>
<td>Protect information where the making available of the information (i) would disclose a trade secret; or (ii) would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information (Schedule 7(2)(b)) (iii)</td>
</tr>
<tr>
<td>18</td>
<td>Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information - (i) would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied; or (ii) would be likely otherwise to damage the public interest (Schedule 7(2)(c))</td>
</tr>
<tr>
<td>18</td>
<td>Avoid prejudice to measures that prevent or mitigate material loss to members of the public (Schedule 7(2)(e))</td>
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<tr>
<td>14 &amp; 18</td>
<td>Maintain legal professional privilege (Schedule 7(2)(g))</td>
</tr>
<tr>
<td>15b &amp; 18</td>
<td>Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities (Schedule 7(2)(h))</td>
</tr>
<tr>
<td>Item No</td>
<td>Interest</td>
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<tr>
<td>16</td>
<td>Prevent the disclosure or use of official information for improper gain or improper advantage (Schedule 7(2)(j))</td>
</tr>
<tr>
<td>14, 16 &amp; 18</td>
<td>Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (Schedule 7(2)(i))</td>
</tr>
</tbody>
</table>

The motion was put and carried (AR18/50)

Return to Open Meeting at 12.35pm

Meeting closed at 12.36pm