Minutes of the Audit and Risk Committee Meeting held in Mauao Rooms, Bay of Plenty Regional Council Building, 87 First Avenue, Tauranga on Thursday, 12 September 2019 commencing at 9.30 a.m.

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**Present:**

**Chairman:** J Cronin

**Deputy Chairman:** D Love

**Councillors:** S Crosby, A Tahana, A von Dadelszen

**Ex Officio:** Chairman D Leeder

**Appointees:** B Robertson (via audio visual link)

**In Attendance:** Councillors: K Winters, B Clark, J Nees, T Marr

Staff: Fiona McTavish - Chief Executive; Mat Taylor - General Manager, Corporate; Chris Ingle - General Manager, Integrated Catchments; Sarah Omundsen - General Manager, Regulatory Services; Namouta Poutasi - General Manager, Strategy & Science; Steven Slack - Risk & Assurance Manager; Debbie Hyland - Finance and Corporate Planning Manager; Mark Le Comte - Programme Manager Corporate; Donna Llewell - In-House Legal Counsel; Graeme Howard - Corporate Planning Lead; Claire Gordon - Internal Auditor; Jessica Easton - Solicitor; Brendon Love - Contractor Project Manager for Kopeopeo; Merinda Pansegrouw - Committee Advisor

External presenters: Ben Halford and Anton Labuschagne, Audit New Zealand

# Apologies

Nil

# Public Forum

Nil

# Acceptance of Late Items

Nil

# General Business

Nil

# Confidential Business to be Transferred into the Open

Nil

# Declaration of Conflicts of Interest

Nil

# Previous Minutes

## Audit and Risk Committee Minutes - 12 June 2019

Resolved

That the Audit and Risk Committee:

1. Confirms the Audit and Risk Committee Minutes - 12 June 2019 as a true and correct record.

**Love/Von Dadelszen**

**CARRIED**

9:32 am Cr Tahana **joined** the meeting.

# Reports

## Interim Management Report for the year ending 30 June 2019

External Auditors Ben Halford and Anton Labuschagne from Audit New Zealand and Finance and Corporate Planning Manager Debbie Hyland presented the external audit Interim Management Report for the year ending 30 June 2019:

Key Points highlighted by External Auditors:

* The purpose of the interim audit was to review and perform testing on the Council’s control environment and internal control systems. The overall control environment had been assessed as effective
* Areas of improvement had been identified and subsequent recommendations had been made. However, no recommendations had been prioritised as urgent
* Since Council had elected to adopt the PBE IFRS 9 Financial Instruments in preparing the 30 June 2019 financial statements (based Quayside Group adopting NZ IFRS 9 Financial Instruments for the year ended 30 June 2019), the impact of the change in standards had been highlighted to management to ensure that early consideration was given to these accounting standards
* Commended Council for closing a number of prior year issues
* Confirmed that the final audit report for the year ended 30 June 2019 would be available for consideration at the next Council meeting. Confirmed that the final letter to be signed by the Chairman and Chief Executive would be a standard letter of representation.

Key Point raised by Staff:

* Seven of the twelve new actions had been resolved and this would be verified by Audit New Zealand as part of the final Management Letter.

Members’ Comments:

* Supported the recommendation that significant IT risks (such as cyber risk/protection of data) be included in the Corporate Risk Register for continuous review by management and reporting to governance. Expressed appreciation for the support provided by PWC in this regard
* Noted the importance of having up-to-date policies relating to procurement/bribery and corruption in place
* Noted the Fraud and Corruption Standard Operating Procedures would be reviewed against the Ministry of Justice’ guidelines to meet best practice standards. Since this was a dynamic environment, constant adjustments to the framework and ongoing staff training were required.

9:45 am Chairman Leeder **joined** the meeting.

Resolved

That the Audit and Risk Committee:

1. Receives the report, Interim Management Report for year ending 30 June 2019.

**Love/Von Dadelszen**

**CARRIED**

## 2018/19 Draft Annual Report Review

*Supporting Document 1 (Draft Annual Report 2018-2019), Supporting Document 2 (Draft Annual Report 2018-2019 Financial Statements) and Supporting Document 3 (Draft Annual Report Summary 2018-2019) were circulated under separate cover (Refer Objective IDs* *A3364516, A3364517 and A3364515)*

Finance and Corporate Planning Manager Debbie Hyland, and External Auditors Ben Halford and Anton Labuschagne from Audit New Zealand, presented the draft annual report for the year ending 30 June 2019 prior to adoption by Council on 26 September 2019.

Key Points:

* Highlighted the updated figures for the valuation of the Put Option and Council’s Local Government Funding Agency (LGFA) Shareholding
* Council had delivered its work programme for year one of the Long Term Plan 2018-2028 through operating expenditure of $126.3 million compared to a budget of $133.0 million. This was an underspend of $6.7 million. As a result, Council’s draft operating surplus was $4.7 million which was $6.5 million higher than the budgeted deficit of $1.8 million
* Council had delivered a significant capital works programme with capital expenditure of $56.6 million (2018: $36.5 million) compared to a budget of $57.9 million
* The Long Term Plan 2018-2028 included 32 performance measures of which Council had achieved 78 % (or 25) of the targets for these measures for the year ending 30 June 2019.

Members’ Comments:

* Commended staff for the successful delivery of a significant capital works programme
* Queried the sample size of the customer service survey relevant to consents and whether the current process was statistically robust.

Resolved

That the Audit and Risk Committee:

1. Receives the report, 2018/19 Draft Annual Report Review.

**Love/Cronin**

**CARRIED**

## Kopeopeo Canal Remediation - Project Update 23

*Refer PowerPoint Presentation Objective ID A3362456*

General Manager, Integrated Catchments Chris Ingle and Contractor Project Manager for Kopeopeo Brendon Love provided an overview of progress made on the Kopeopeo Canal Remediation Project (KCRP).

Presentation Key Points:

* Dredging and validation of the entire length of canal (5.1 km) had been completed
* Containment Site Capping and Bioremediation
* Flood Control Structure Removal/Modifications
* Risks
* Lessons Learned
* Kopeopeo Extension West Investigation
* Next Steps:
	+ 6 months to 1 year
		- To complete capping, tree planting and bioremediation (For Containment Sites 1 and 3)
		- Vehicle access opened to public through Containment Site 3
		- Investigation of contamination to west and develop remedial options
	+ 1 to 15 years
		- Ongoing bioremediation works
		- Monitoring of canal and containment sites
		- Planning and implementation of long term land use.

Members’ Comments:

* Although this report was the last regular update on KCRP to the Audit and Risk Committee, this was not seen as a final report on the Kopeopeo Canal Remediation project. Further updates by the General Manager, Integrated Catchments should be provided to Council if required, until the project had been finally signed off
* Noted investigation into contamination of the Kopeopeo Canal to the west of SH30 would recommence in the near future, with options to be brought to Council for consideration by June 2020 as a new project
* Emphasized that the lessons learnt from the Kopeopeo Canal Remediation project needed to be implemented for all future projects
* Noted the total cost of the project was $21.3 million (from 2011 to 2019) and that a claim to the Ministry for the Environment (MfE) for the remainder of their share ($9.9 million) was currently progressing
* Community representatives should be consulted during the process of reviewing lessons learnt, obtaining feedback from their perspective
* Noted ongoing monitoring of the geotube bags/water velocity measurements would help identify any potential risks.

Resolved

That the Audit and Risk Committee:

1. Receives the report, Kopeopeo Canal Remediation - Project Update 23.

**Cronin/Crosby**

**CARRIED**

10:33 a.m. - The meeting **adjourned**.

10:48 a.m. - The meeting **reconvened**.

## Expenditure and Koha Report

Finance and Corporate Planning Manager Debbie Hyland presented the report highlighting a list of payments to third parties for the 2018/19 financial year as well as a list of Koha recipients for the two financial years 2017/18 and 2018/19.

In Response to Questions:

* Noted future reports on payments to third parties would be available on the Bay of Plenty Regional Council’s website

Members’ Comments:

* Reports on Koha payments should reflect a total amount spent, avoiding too much detail
* Suggested in future, reports on Koha payments be considered as part of the public excluded discussion as, in Māori tikanga, a koha was seen as a gift, a present or offering - an acknowledgement of generosity and could therefore be a sensitive matter
* Reporting on Council’s supplier spend was seen as an operational matter which did not add specific value for the Audit and Risk Committee from a risk review perspective
* Acknowledged that in terms of transparency requirements, the report on payments to third parties should be available for public scrutiny.

Resolved

That the Audit and Risk Committee:

1. Receives the report, Expenditure for the 2018/19 financial year and Koha Report for the two financial years 2017/18 and 2018/19.

**Cronin/Von Dadelszen**

**CARRIED**

## Committee Chairperson's Report

General Manager, Corporate Mat Taylor presented an overview of the work programme of the Audit and Risk Committee over the past triennium for the period March 2017 to June 2019, highlighting the areas of focus relating to council activities and the general nature of the Committee’s work.

Resolved

That the Audit and Risk Committee:

1. Receives the report, Committee Chairperson's Report;
2. Notes the Committee’s completed work programme.

**Cronin/Von Dadelszen**

**CARRIED**

## Chairman's Discretionary Fund 2018/19

General Manager, Corporate Mat Taylor outlined the report on the Chairman’s Discretionary Fund expenditure for 2018/19.

In Response to Members:

* With reference to the funding provided to Tauranga City Council to assess the feasibility of a Western Bay of Plenty sub-regional multi-purpose stadium, it was noted that the needs assessment and feasibility study had been completed with the outcome that there was currently no need for a sub-regional multi-purpose stadium.

Resolved

That the Audit and Risk Committee:

1. Receives the report, Chairman's Discretionary Fund 2018/19.

**Love/Von Dadelszen**

**CARRIED**

## Local Government Official Information & Meetings Act 1987 - Annual Report for Period 1 July 2018 to 30 June 2019

In-House Legal Counsel Donna Llewell and Solicitor Jessica Easton presented information relating to the Local Government Official Information and Meetings Act 1987 (LGOIMA) requests for 2018/19.

Key Points:

* Received 132 requests for official information during the period 1 July 2018 to 30 June 2019, with statistics demonstrating an increase in the number of official information requests
* For the 2018/19 financial year, Council had achieved 99% compliance in meeting statutory timeframes under LGOIMA (i.e. 3 out of 132 requests were responded to within 20 working days). This was an improvement on last year’s 95% compliance rate
* Council also responded to four investigations of complaints to the Office of the Ombudsman
* A key learning from the Ombudsman’s Targeted Investigations for 2017/18 was to look at the opportunity to improve access to minutes of public excluded meetings where reasons for exclusion no longer applied.

Members’ Comments:

* Supported the notion to improve access to minutes of public excluded meetings where reasons for exclusion no longer applied

Resolved

That the Audit and Risk Committee:

1. Receives the report, Local Government Official Information & Meetings Act 1987 - Annual Report for Period 1 July 2018 to 30 June 2019.

**Cronin/Von Dadelszen**

**CARRIED**

## Annual Report on Legal Services & Legislative Compliance

In-House Legal Counsel Donna Llewell and Solicitor Jessica Easton provided an update on the legislative compliance framework and Bay of Plenty Regional Council’s legislative compliance during the 2018/19 financial year.

Key Points:

* During this financial year it was estimated that the time spent on providing in-house legal services to the organisation has an equivalent value of approximately $1.8 million, should such legal advice been sourced from external legal providers
* Clarified that the legal services fee of $1,224,308 paid to Holland Beckett Lawyers during the 2018/2019 financial year included a capital spent of $1,2 million, with legal fees totalling $17,000. Similarly the amount of $586,665 paid to Norris Ward McKinnon Lawyers, included capital expenditure for the Kaituna Wetland acquisition, highlighting that the legal services reflected in the expenditure report also included capital expenditure.

In Response to Questions:

* Noted that processes were in place to review the quality of legal advice provided in-house at the end of each legal activity.

Resolved

That the Audit and Risk Committee:

1. Receives the report, Annual Report on Legal Services & Legislative Compliance.

**Cronin/Love**

**CARRIED**

## Internal Audit Status Update and Annual Report

Risk & Assurance Manager Steve Slack updated members on progress made with the internal audit reviews, highlighting two internal audits, namely rates and procurement/contract management completed since the last update in June 2019.

Key Points:

* Fraud Risk Assessment had been scoped by the external provider KPMG and on that basis had determined there would be more value by including it in the Policy Framework Review in the 2019/20 Audit Plan
* ICT security had also been included as part of the Internal Audit Work Plan for the three years to 2022.

11:40 am Cr Marr **joined** the meeting.

Resolved

That the Audit and Risk Committee:

1. Receives the report, Internal Audit Status Update and Annual Report;
2. Notes that it has received and reviewed the Internal Audit Annual Report for the 2018/19 financial year (Appendix 1); and
3. Notes that it has received the executive summary of two completed internal audit reviews – Rates (Appendix 2) and Procurement/Contract Management (Appendix 3).

**Cronin/Love**

**CARRIED**

## Public Excluded Section

Resolved

**Resolution to exclude the public**

**THAT the public be excluded from the following parts of the proceedings of this 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:**

|  |  |  |
| --- | --- | --- |
| **General Subject of Matter to be Considered** | **Reason for passing this resolution in relation to this matter** | **Grounds under Section 48(1) LGOIMA 1987 for passing this resolution** |
| **9.1 Public Excluded Minutes of the meeting of 12 June 2019** | **Please refer to the relevant****clause in the meeting****minutes** | **Good reason for withholding exists under Section 48(1)(a)** |
| **9.2 Key Risk Register Quarterly Update - July to September 2019** | **To protect this information so it doesn’t damage public interest** | **Good reason for withholding exists under Section 48(1)(a)** |
| **9.3 Treasury Update Tuatahi 2019/20** | **To carry out commercial activities** | **Good reason for withholding exists under Section 48(1)(a)** |

**Von Dadelszen/Love**

**CARRIED**

## Confidential Business to be Transferred into the Open

Nil

## General Business

End of triennium words of appreciation

Appreciation was expressed towards Councillor John Cronin, Chairman of the Audit and Risk Committee for the past two trienniums, and prior to that, serving four terms as Chairman of BOPRC, for his valuable contribution towards local government and the Bay of Plenty Region in particular.

Best wishes were extended to all for the upcoming Local Government Elections.

4 October 2019

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 Cr John Cronin Date

Chairperson, Audit and Risk Committee

 4 October 2019

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 Fiona McTavish – Chief Executive Date

 Bay of Plenty Regional Council