

Minutes of the Audit and Risk Committee Meeting held in Mauao Rooms, Bay of Plenty Regional Council Building, 87 First Avenue, Tauranga on Tuesday, 12 June 2018 commencing at 10.30 a.m.

Present:

Chairman: J Cronin

Deputy Chairman: D Love

Councillors: A Tahana, S Crosby, A von Dadelszen

Ex Officio: Chairman D Leeder

Appointees: B Robertson

In Attendance: Councillor K Winters, M Macleod (Chief Executive), M Taylor (General Manager Corporate Performance), C Ingle (General Manager, Integrated Catchments), S Omundsen (Acting General Manager, Regulatory), J Graham (General Manager, Corporate Solutions), N Poutasi (Acting General Manager, Strategy and Science), E Grogan (Principal Regulatory Advisor), S Hey (Manager, Chief Executive's Office), A Chappell (Property Manager), D Hyland (Finance and Corporate Planning Manager), N Newman (Principal Advisor), S Slack (Principal Internal Auditor), C Gordon (Internal Auditor), A Dixon (Management Accountant Team Leader), G Howard (Corporate Planning Lead), B Love (Contractor Project Manager for Kopeopeo Canal), C Woods (Health and Safety Manager), D Coughlan (Contract Accountant), M Pansegrouw (Committee Advisor).

Attendance in part: Audit New Zealand representatives: Ben Halford (Audit Director) and Anton Labuschagne (Audit Manager), KPMG NZ Advisory representatives: Garth Gulley (Senior Manager - Health and Safety Advisory) and David Sutton (Partner - Risk Management and Internal Audit).

1 **Apologies**

Nil

2 **Public Forum**

Nil

3 **Acceptance of Late Items**

Nil

4 **General Business**

Nil

5 **Confidential Business to be Transferred into the Open**

Nil

6 **Declaration of Conflicts of Interest**

Bruce Robertson noted that with effect from 30 April 2018 he had stepped down as an independent director of Morrison Low and effectively no longer had any real or financial interest with the firm.

7.1 **Audit and Risk Committee minutes - 01 March 2018**

Resolved

That the Audit and Risk Committee:

- 1 Confirms the Audit and Risk Committee minutes of 1 March 2018 as a true and correct record.**

**Cronin/Love
CARRIED**

8. **Reports**

8.1 **2017/18 External Audit Plan**

Debbie Hyland, Finance and Corporate Planning Manager, introduced the report and invited representatives from Audit New Zealand, Ben Halford, Audit Director and Anton Labuschagne, Audit Manager, to provide an outline of the report.

Attendance

Cr Tahana entered the meeting at 10:35 am.

Key Points

- The Audit Plan for the year ending 30 June 2018 was in a new electronic format, no longer requiring manual signing by the Chairperson
- Encouraged Council to proactively undertake the value assessment for property, plant and equipment; should revaluation be required, there would be enough time to complete without impacting on the process
- Highlighted Council's role and responsibility in the prevention and detection of fraud.

Members' Comments

- Although indications were that all were progressing well, the committee encouraged the Audit Team to continue applying professional and rigorous scepticism throughout the process to ensure that everything was indeed progressing well.

Resolved

That the Audit and Risk Committee under its delegated authority:

- 1 Receives the report, 2017/18 External Audit Plan;
- 2 Notes the 2017/18 Audit Plan.

Crosby/Von Dadelszen
CARRIED

8.2 External Audit Interim Management Report for the year ended 30 June 2018

Ben Halford, Audit Director and Anton Labuschagne, Audit Manager from Audit New Zealand provided an outline of the report.

Resolved

That the Audit and Risk Committee under its delegated authority:

- 1 Receives the report, External Audit Interim Management Report for the year ended 30 June 2018;
- 2 Notes the report and management actions as set out

Von Dadelszen/Love
CARRIED

8.3 Setting of Rates 2018/19

Debbie Hyland, Finance and Corporate Planning Manager and Andy Dixon, Management Accountant Team Leader provided an outline of the report:

Key Points

- In preparation of the Council meeting on 28 June 2018, the report provided a draft Council Rates Resolution with specific wording requirements to ensure continued statutory compliance for the setting of rates 2018/19
- Simpson and Grierson had been engaged to ensure statutory compliance and fairness
- Learnings from the recent ruling by the Court of Appeal in the Northland Regional Council Rates Case had also been taken into consideration.

Staff follow up:

- The typographical error on page 6 of Appendix 1, (page 40 of the report) be amended to reflect the correct Passenger Transport Targeted Rate for the Whakatāne District
- That a report recommending the best option for the Bay of Plenty Regional Council to collect rates be presented to the Committee/Council in due course, taking into consideration best practices and the legal framework that had been set following the recent ruling by the Court of Appeal in the Northland Regional Council Rates Case.

Resolved

That the Audit and Risk Committee under its delegated authority:

- 1 Receives the report, Setting of Rates 2018/19;**
- 2 Notes the draft rate setting information provided, and the process that would be followed at Council on 28 June 2018.**
- 3 Notes that the legal review of statutory compliance for this year's rate assessment and collection process was still on-going and that an update would be provided at the meeting.**

**Cronin/Love
CARRIED**

8.4 Rangitaiki River Scheme Review (April 2017 Flood Event): Implementation update

Chris Ingle, General Manager, Integrated Catchments and Nic Newman, Principal Advisor, presented the report and responded to questions.

Key Points and In Response to Questions:

- Evaluation of affected properties would be dealt with on an individual basis and in close consultation with the relevant landowners. Affordability and cost implications needed to be aligned with the Long Term Plan 2018-2028
- Taking into consideration the recent flooding in Gisborne and the severe damage that debris/slash/logs in the river had caused, it was critical for the Bay of Plenty Regional Council to review the management of tree felling in forests and the impact thereof on lower lying land. A risk mitigating policy/plan was required to ensure that landowners downstream were protected
- In particular, an assessment on the risk profile relevant to slash/logs in the Rangitāiki River catchment area was required
- Noted that resourcing of the Rangitāiki River Scheme Review Project had been sufficiently addressed by means of proactively restructuring the team to enable appropriate resourcing. The situation was being monitored on an ongoing basis.

Key Points – Mary-Anne Macleod, Chief Executive

A report to the next meeting of the Audit and Risk Committee on the risk profile relevant to tree felling in the Rangitāiki River catchment area would highlight the following aspects:

- The new National Environmental Standards for Plantation Forestry, which recently came into force and provided more power to foresters and less to Councils; was currently being reviewed by the government. Learnings from the events in Gisborne would feed into the review
- An overview of activities by the BOPRC Regulatory Compliance Team working closely with foresters in the area. The usefulness of this system would be highlighted in the report
- Key learnings from two members of the BOPRC Regulatory Compliance Team who had been seconded to Gisborne to assist staff following the recent flooding
- A review of the flood risk areas compiled by the Geographic Information System (GIS) Staff.

Staff follow up:

- Following consultation with Emergency Management Bay of Plenty an update to be provided to the Committee on the status of progress made with the Evacuation Plan/Procedures for Whakatāne
- An assessment report on the risk profile of slash/logs in the Rangitāiki River catchment area to be submitted to the next meeting of the Committee.

Resolved

That the Audit and Risk Committee under its delegated authority:

- 1 Receives the report, Rangitāiki River Scheme Review (April 2017 Flood Event): Implementation update;**
- 2 Notes the work underway to ensure an integrated response across Council and the progress that is being in response to the recommendations.**

**Cronin/Love
CARRIED**

8.5 **Kopeopeo Canal Remediation Project Update 18**

Refer PowerPoint Objective ID: A2894805

Chris Ingle, General Manager, Integrated Catchments and Brendon Love, Contractor Project Manager for Kopeopeo, provided a PowerPoint presentation outlining the following:

Key Points of Presentation:

- Three risks had become significant:
 - Dredging had progressed slower than the contractor had forecasted
 - Weather related time extension
 - Containment site changes
- An independent expert had been engaged to quantify differences between the dredged profile and contracted profile to guide variation claim discussions
- An application to the Ministry for the Environment would follow to request 50% of the forecasted variation.

Resolved

That the Audit and Risk Committee under its delegated authority:

- 1 Receives the report, Kopeopeo Canal Remediation Project Update 18;**
- 2 Notes the risks that have become issues;**
- 3 Notes that an independent investigation to review the dredging methodology has been initiated to provide guidance on the dredging variation request;**
- 4 Notes that an application to the Ministry for the Environment for fifty percent of the additional funding has been initiated as requested by Council.**

**Cronin/Love
CARRIED**

8.6 Committee Chairperson's Report

Refer PowerPoint Objective ID: A2890455

Mat Taylor, General Manager Corporate Performance and Bruce Robertson provided an overview of the report, supported by a PowerPoint Presentation.

Key Points of Presentation:

- During April and May 2018, a series of best practise fora were held around the country on Audit and Risk Committees
- Councillor David Love and Shelley Hey, Manager Chief Executive's Office attended the Hamilton Forum
- Key observations from the Forum were:
 - Risk and assurance vs Audit and Risk
 - Defining risk - "What was keeping me awake at night?" and "How would I gain assurance?"
 - The role of independent members
 - Risk management - risk aware not risk averse
 - Risk was about a discussion and culture
 - Self-review was essential - assessing the Committee's performance and value-add.

Key Points

- A work programme would enable the Audit and Risk Committee to undertake a series of "deep dive" considerations of all significant risk areas (noting this was different to the 'deep dives' internal audits undertaken by the Internal Audit function).

Resolved

That the Audit and Risk Committee under its delegated authority:

- 1 Receives the report, Committee Chairperson's Report;**
- 2 Notes the Committee's completed and forward looking work programme.**

**Cronin/Love
CARRIED**

8.7 Review of Performance and Effectiveness of the Audit and Risk Committee

Mat Taylor, General Manager Corporate Performance provided an overview of the report.

Key Points:

- An internal self-assessment survey would be circulated to members, other councillors and senior management
- Results of the assessment would be reported to the September 2018 Audit and Risk Committee meeting.

Resolved

That the Audit and Risk Committee under its delegated authority:

- 1 **Receives the report, Review of Performance and Effectiveness of the Audit and Risk Committee ;**
- 2 **Notes and agrees the approach to a review of the Committee's effectiveness as outlined in the report**

**Love/Tahana
CARRIED**

8.8 **Internal Audit Status Update and Proposed Internal Audit Work Plan 2018/19 to 2020/21**

Shelley Hey, Manager Chief Executive's Office, Steve Slack, Principal Internal Auditor and Claire Gordon, Internal Auditor provided an outline of the report and responded to questions.

Key Points and in Response to Questions

- Noted that the majority of all open actions were past the original due date, for some the tasks had become larger than initially anticipated. However, Internal Audit was comfortable that these actions were being actively addressed with significant progress being made towards new completion dates. Internal Audit would continue to monitor progress
- To ensure fraud prevention, continued focus should be on overdue actions
- Noted that the upcoming Asset Management Planning Review was a framework review. Specific issues, for example the management of the quality and quantity of assets, which might require further investigation, would be identified as part of the framework review process.

Staff follow up:

- Geothermal Regional Plan: Clarification sought on the granting of resource consents
- Treaty of Waitangi internal audit review 2020/21: A request was made that Komiti Maori have the opportunity to feed into the scope for this review.

Resolved

That the Audit and Risk Committee under its delegated authority:

- 1 **Receives the report, Internal Audit Status Update and Proposed Internal Audit Work Plan 2018/19 to 2020/21;**
- 2 **Approves the Internal Audit Work Plan 2018/19, 2019/20, 2020/21, including the detailed work plan for 2018/19.**

**Cronin/Tahana
CARRIED**

8.9 **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 Minutes	Please refer to the relevant clause in the meeting minutes.	Please refer to the relevant clause in the meeting minutes
9.2 Internal Audit - Health and Safety Review	To protect this information so it doesn't damage public interest	Good reason for withholding exists under Section 48(1)(a)
9.3 Kopeopeo Extension West Risk Report	To protect the commercial position of an individual	Good reason for withholding exists under Section 48(1)(a)
9.4 Key Risk Register Quarterly Update - March 2017 to May 2018	To maintain legal professional privilege	Good reason for withholding exists under Section 48(1)(a)
9.5 Treasury Framework for Long Term Plan 2018-2028	To carry out commercial activities	Good reason for withholding exists under Section 48(1)(a)

Cronin/Tahana
CARRIED

8.10 Confidential Business to be Transferred into the Open

Nil

The meeting closed at 1:53 pm.

Confirmed

Chairman, Audit and Risk Committee

Date