

# **Minutes of the Audit and Risk Committee Meeting held in Mauao Rooms, Bay of Plenty Regional Council Building, 87 First Avenue, Tauranga on Tuesday, 19 September 2017 commencing at 9.30 a.m.**

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## **Present:**

**Deputy Chairman:** D Love

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

**Ex Officio:** Chairman D Leeder

**Appointees:** B Robertson

**In Attendance:** M Macleod (Chief Executive), M Taylor (General Manager Corporate Performance), C Ingle (General Manager Integrated Catchments), J Graham (General Manager Corporate Solutions), D Hyland (Finance and Corporate Planning Manager), S Hey (Manager Chief Executive's Office), D Moore (ICT Programme Manager), D Llewellyn (In-house Legal Counsel), A Dixon (Management Accountant Team Leader), S Slack (Principal Internal Auditor), B Love (Project Manager for Kopeopeo Canal), M Langridge (Chief Information Officer), G Howard (Corporate Planning Lead), C Gordon (Internal Auditor), T Wilson (Financial Accountant), R Garrett (Committee Advisor).

Attendance in part: C Brewer (Pollution Prevention Officer), G Corbett (Biosecurity Manager), J Simpson (Senior Business Analyst), P Buell (BOP Harbourmaster/Manager).

**Apologies:** J Cronin, A Tahana

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In the absence of the Chairman, the Deputy Chair assumed the chair for the meeting.

## **1 Apologies**

### **Resolved**

**That the Audit and Risk Committee under its delegated authority:**

- 1 Accepts the apologies tendered from Councillors Cronin and Tahana.**

**von Dadelszen/Love  
CARRIED**

## **2 General Business and Tabled Items**

The following items were raised for discussion under General Business:

- 1) Financial information and reporting;
- 2) Relationship and engagement update – to be discussed in Public Excluded

- 3) Edgecumbe flood review update – to be discussed in Public Excluded.

### 3 **Declaration of conflicts of interest**

Councillor Love noted his membership of the Opotiki District Council Audit and Risk Committee.

### 4 **Previous Minutes**

#### 4.1 **Audit and Risk Committee minutes - 13 June 2017**

##### **Resolved**

**That the Audit and Risk Committee under its delegated authority:**

- 1 **Confirms the minutes of the Audit and Risk Committee meeting held 13 June 2017.**

**Crosby/von Dadelszen  
CARRIED**

### 5 **Reports**

#### 5.1 **Committee Chairperson's Report**

##### **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.**

**Love/Leeder  
CARRIED**

#### 5.2 **Chairman's Discretionary Fund 2016/17**

Chairman Leeder outlined the two funding requests accepted by the Fund during the 2016/17 financial year and noted that the two recipients, Bay of Plenty Film Trust and Rotorua Lakeside Concert Charitable Trust, received a total of \$10,000 between them.

##### **Resolved**

**That the Audit and Risk Committee under its delegated authority:**

- 1 **Receives the report, Chairman's Discretionary Fund 2016/17.**

**von Dadelszen/Leeder  
CARRIED**

#### 5.3 **2016/17 Draft Annual Report Review**

Finance and Corporate Planning Manager Debbie Hyland and Financial Accountant Tracey Wilson presented the Draft Annual Report 2016/17 to the Committee for endorsement and noted that the final report was expected to be received and adopted by Council on 26 September 2017. Ms Hyland outlined key financial and non-financial

performance results for Council, explained financial variances and noted that 82% of Council Key Performance Indicators (KPIs) for the year were achieved. General Manager Corporate Performance Mat Taylor advised members that provisional verbal clearance of the financial statements had been received from the auditors.

Members suggested the distinction between Group results and Council results could be clarified and strengthened in the draft Report; and that Council's committee structure should also be further explained. Members discussed KPIs reported on and noted variations in several areas, particularly Rotorua Lakes and Rivers and Drainage. The use of fare recovery as the KPI for Public Transport was clarified, with an alternative KPI of patronage discussed.

## **Resolved**

**That the Audit and Risk Committee under its delegated authority:**

- 1 Receives the report, 2016/17 Draft Annual Report Review;**
- 2 Reviews and endorses the 2016/17 Draft Annual Report and Draft Summary for adoption by Council on the 26<sup>th</sup> September 2017.**

**Crosby/von Dadelszen  
CARRIED**

### **5.4 External Audit Arrangements Letter for the Audit to 30 June 2017**

Finance and Corporate Planning Manager Debbie Hyland updated members on Audit New Zealand's arrangements for audit of the Regional Council's Annual Report for the year ending 30 June 2017 and requested the Committee receive the arrangements letter. General Manager Corporate Performance Mat Taylor noted that the payment processes for the Regional Infrastructure Fund and the Lake Rotorua Incentives Committee were reviewed for the first time and found robust.

The omission of Te Arawa Lakes Trust as a partner in the Rotorua Te Arawa Lakes Programme section of the audit details was noted and would be brought to the attention of the auditors.

Clarification whether Council's Sensitive Expenditure policy covered care of dependents was provided; and the need to ensure robust and legally correct processes around the application of Holidays Act provisions, accruals and possible liability was acknowledged. Members noted that fraud was a key focus of the external audit and emphasised the need to avoid complacency and for continual internal testing of processes.

## **Resolved**

**That the Audit and Risk Committee under its delegated authority:**

- 1 Receives the report, External Audit Arrangements Letter for the Audit to 30 June 2017;**
- 2 Notes the areas of focus as set out in the Arrangements Letter.**

**Love/Crosby  
CARRIED**

## 5.5 **External Audit Interim Audit Management Report for the year ended 30 June 2017**

Finance and Corporate Planning Manager Debbie Hyland presented the Audit New Zealand Interim Management Report for the year ended 30 June 2017. Ms Hyland advised members there were no urgent recommendations made in the Interim Report; that two recommendations had been prioritised as necessary, two further recommendations were prioritised as beneficial. A summary of actions taken to address those recommendations was provided.

### **Resolved**

**That the Audit and Risk Committee under its delegated authority:**

- 1 Receives the report, External Audit Interim Audit Management Report for the year ended 30 June 2017;**
- 2 Notes the action being undertaken by staff to address recommendations in the report.**

Love/von Dadelszen  
CARRIED

## 5.6 **Internal Audit Annual Report 2016/17 and Status Update 2017/18**

Manager Chief Executive's Office Shelley Hey, Principal Internal Auditor Steven Slack and Internal Auditor Claire Gordon presented the Internal Audit Annual Report 2016/17 and updated members on the status of internal audit activities and the current year's work programme.

The Chair welcomed newly appointed Internal Audit staff members Mr Slack and Ms Gordon and emphasised the importance of the internal audit function to the organisation. Ms Hey noted that the increased staff resourcing had not yet been reflected in the internal audit work programme and that any changes to the programme would be brought to future meetings.

### **Change to Order of Business**

With the leave of the Committee, the Deputy Chair advised that associated Public Excluded Item 7.2, Internal Audit – Confidential Appendix would be received next on the agenda.

### **Public Excluded Section**

#### **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
7.2 Internal Audit – Confidential Appendix	To prevent the disclosure or use of official information for improper gain or improper advantage.	Good reason for withholding would exist under Section 48(1)(a).

Love/Robertson  
CARRIED

## Resolved

That the Audit and Risk Committee under its delegated authority:

- 1 **Receives the report, Internal Audit Annual Report 2016/17 and Status Update 2017/18.**
- 2 **Notes that it has received and reviewed the confidential Internal Audit Annual report for the financial year 1 July 2016 to 30 June 2017 (confidential Appendix 1).**
- 3 **Notes that implementation of the Internal Audit Work Plan 2017/18 has commenced and any changes will be reported to upcoming Audit and Risk Committee meetings.**

Love/Leeder  
CARRIED

## 5.7 Legislative Compliance Review

In-house Legal Counsel Donna Llewellyn and General Manager Corporate Performance Mat Taylor updated members on progress of management actions taken to address concerns raised as a result of the Legislative Compliance Internal Audit Review. Ms Llewellyn noted her appointment to the legal counsel role in August 2016 and described key areas of work and legal services supplied to the organisation. Ms Llewellyn outlined the biggest legal risks she considered faced Council and noted the significant amount of legal work now handled in-house and capacity implications the increasing workload created.

Issues surrounding the processing of Local Government Official Information and Meetings Act (LGOIMA) requests were discussed, with staff time spent on responding to requests noted. Ms Llewellyn noted the need for staff training on identifying a legitimate official information request and emphasised that Council's default position should be that all business is open unless there is a valid reason to withhold information.

## Resolved

That the Audit and Risk Committee under its delegated authority:

- 1 **Receives the report, Legislative Compliance Review**
- 2 **Notes the action management have taken to address the issues highlighted in the Legislative Compliance Review.**

Von Dadelszen/Love  
CARRIED

## Adjournment

The meeting adjourned at 10.45am and reconvened at 11am.

## 6 Public Excluded Section

### 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
7.1 Public Excluded Audit and Risk Committee Minutes – 13 June 2017	Please refer to the relevant clause in the open meeting minutes.	Good reason for withholding would exist under Section 48(1)(a).
7.3 Key Risk Register Update: June 2017 - September 2017	To 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 would be likely otherwise to damage the public interest.	Good reason for withholding would exist under Section 48(1)(a).
7.4 Accela Implementation Project Cost and Risk Update 10	To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Good reason for withholding would exist under Section 48(1)(a).
7.5 Kopeopeo Canal Remediation Project Update 15	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.	Good reason for withholding would exist under Section 48(1)(a).
7.6 Regional Council Rates Update	To maintain legal professional privilege.	Good reason for withholding would exist under Section 48(1)(a).
10 General Business 10.2 Relationship and engagement update 10.3 Edgcombe flood review update	To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Good reason for withholding would exist under Section 48(1)(a).

Love/Robertson  
CARRIED

**Attendance**

Councillor von Dadelszen left the meeting at 12.15pm.

**7 Restatement in open meeting**

**7.1 Kopeopeo Canal Remediation Project Update 15**

**Resolved**

That the Audit and Risk Committee under its delegated authority:

- 1 Receives the report, Kopeopeo Canal Remediation Project Update 15;**
- 2 Notes the extension of the principal works contract by 5 months with potential future increased overall project costs due to weather delays and this extension.**

**Love/Robertson  
CARRIED**

**8 General Business**

**8.1 Financial information and reporting**

General Manager Corporate Performance Mat Taylor welcomed feedback received from members on the financial information provided to the Committee and advised that a draft version of the information requested would be discussed with members and brought to the October Long Term Plan workshop for further comment if necessary.

Members discussed the need for sufficiently detailed information to be provided to enable informed decision making and for clear links to be made between figures and wording within the Long Term Plan; the cumulative effect of depreciation was provided as an example of an area where further information was needed.

**The meeting closed at 12.42 pm.**