

**Minutes of the Audit and Risk Committee Meeting held in Mauao Rooms, Bay of Plenty Regional Council Building, 87 First Avenue, Tauranga on Tuesday, 11 September 2018 commencing at 9.30 a.m.**

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**Present:**

**Chairman:** John Cronin

**Deputy Chairman:** David Love

**Councillors:** Andrew von Dadelszen

**Ex Officio:** Chairman Doug Leeder

**Appointees:** Bruce Robertson

**In Attendance:** Councillor Kevin Winters, Fiona McTavish - Chief Executive; Mat Taylor - General Manager, Corporate; Chris Ingle - General Manager, Integrated Catchments; Sarah Omundsen - Acting General Manager, Regulatory; Namouta Poutasi - Acting General Manager, Strategy and Science; Debbie Hyland - Finance and Corporate Planning Manager; Nic Newman - Principal Advisor; Simon Stokes – Eastern Catchments Manager; Alex Miller – Compliance Manager: Primary Industry & Enforcement; Garry Maloney – Transport Policy Manager; Steven Slack - Principal Internal Auditor; Claire Gordon - Internal Auditor; Annabel Chappell - Property Manager; Merinda Pansegrouw - Committee Advisor.

**Apologies:** Councillors Arapeta Tahana and Stuart Crosby

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**1 Apologies**

**Resolved**

**That the Audit and Risk Committee:**

- 1 Accepts the apologies from Councillors Arapeta Tahana and Stuart Crosby tendered at the meeting.**

**Cronin/Von Dadelszen  
CARRIED**

**2 Public Forum**

Nil

### 3 **Acceptance of Late Items**

Tabled item 1, *Review of the proposed amendment to the Chief Executive's Financial Delegation*, was not considered by the Audit and Risk Committee. It was noted that the item would be considered by the Regional Council at its meeting scheduled on 27 September 2018.

### 4 **General Business**

Nil

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

Nil

### 6 **Declaration of Conflicts of Interest**

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

### 7 **Previous Minutes**

#### 7.1 **Audit and Risk Committee Minutes - 12 June 2018**

#### **Resolved**

That the Audit and Risk Committee:

- 1 **Confirms the Audit and Risk Committee Minutes - 12 June 2018 as a true and correct record.**

Love/Von Dadelszen  
CARRIED

### 8 **Reports**

#### 8.1 **Committee Chairperson's Report**

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

#### Item for Staff Follow-up

- To reschedule the first monthly financial monitoring meeting (detailed financial briefing) for 2018/19 that had been arranged for the 21<sup>st</sup> September 2018.

#### **Resolved**

That the Audit and Risk Committee:

- 1 **Receives the report, Committee Chairperson's Report;**
- 2 **Notes the Committee's completed and forward looking work programme for the period September 2018 to June 2019.**

**Cronin/Love  
CARRIED**

## 8.2 **Chairman's Discretionary Fund 2017/18**

General Manager, Corporate Mat Taylor outlined the two funding requests accepted by the Fund during the 2017/18 financial year and noted that the two recipients, Rotorua Lakes Council Mayoral Speaker Forum and Rangitāiki Community Board Edgecumbe Community Planting Day, received a total of \$7,000 between them.

### Key Points

- Noted that the expenditure for 2017/18 was well under the budgeted amount
- Financial assistance was limited to \$5000 per organisation, however, in exceptional circumstances, to be determined jointly by the Chairman and Chief Executive, the rules of the Fund allowed for funding to be provided to organisations above the \$5,000 limit.

### **Resolved**

**That the Audit and Risk Committee:**

- 1 **Receives the report, Chairman's Discretionary Fund 2017/18.**

**Von Dadelszen/Love  
CARRIED**

## 8.3 **External Audit: Final Management Report on the audit of the Long Term Plan 2018-2028**

Finance and Corporate Planning Manager Debbie Hyland presented the report outlining the following:

### Key Points

- On 5 July 2018, Audit New Zealand had released its final report on the audit of the Bay of Plenty Regional Council's Long Term Plan (LTP) for the period 1 July 2018 to 30 June 2028
- There had been no recommendations for improvements in the report and Audit New Zealand had commented that they were pleased to report that overall the Regional Council had created an effective LTP which reflected the key decisions made for the next 10 years of the plan
- There were no recommendations for improvements highlighted in the management report.

### Key Points – Members

- The outcome of the final management report on the audit of the Long Term Plan 2018-2028 compiled by Audit New Zealand reflected greatly on all staff members across the organisation. Staff members were congratulated and thanked for their hard work and valuable input

- Noted that this had been the first meeting of the Audit and Risk Committee which Audit New Zealand had not attended to present their final management report. This level of trust represented a further accolade to staff members.

## Resolved

That the Audit and Risk Committee:

- 1 **Receives the report, External Audit: Final Management Report on the audit of the Long Term Plan 2018-2028;**

Love/Von Dadelszen  
CARRIED

## 8.4 2017/2018 Draft Annual Report Review

*Refer PowerPoint Objective ID: zA228615*

Finance and Corporate Planning Manager Debbie Hyland provided an overview of the report, supported by a PowerPoint Presentation outlining the following:

### Key Points

- Financial Performance Highlights
  - The Council's 2017/18 draft operating deficit was \$18.0m, compared to a budgeted deficit of \$26.7m, a variation of \$8.7m
  - Draft capital expenditure was \$36.5m, \$ 6.9m less than the budget
  - Recorded a draft operating surplus of \$74.9m, an increase of \$12.5m from the previous year
  - Had budgeted for \$98.1m in operating revenue and received \$100.4m; \$2.3m more than budget
  - Had budgeted for \$124.8m in operating expenditure and spent \$118.3m; \$6.5m less than budget
  - Had spent \$36.5m on capital expenditure compared to a budget of \$43.4m; \$6.9m less than budget
- Non-Financial Performance
  - Reported on 46 Key Performance Indicators (KPIs) and achieved 40, which represented an 87% success rate for the year
  - In comparison, for 2016/17 Council reported on 44 KPIs and achieved 36 – an 82% success rate
  - KPIs not achieved came from the following activities: Tauranga Harbour, Rotorua Lakes, Rotorua Air Quality, Resource Consents and Passenger Transport
- Next steps
  - Final Annual Report and Summary to be presented for adoption by Council on 27 September 2018.

### Key Points – Members

- Noted that for projects that were not fully delivered in 2017/18 as originally planned, budgets would be proposed to be carried-forward to 2018/19, or later
- Issues listed to be reviewed in the draft Annual Report:
  - Page 32 – Rotorua Lakes Activity Financial Statement
    - With reference to the 13% target reduction in nitrogen entering the Lake Rotorua catchment that has not been achieved and the 30 tonnes of nitrogen calculated, a comment to be added to provide a breakdown in terms of the types of interventions such as 20 tonnes incentive scheme, 10 tonnes gorse

- Page 61 – Resource Regulation and Monitoring Group of Activities – Rotorua Air Quality Activity
  - One of the three main objectives of this activity was to convert approximately 7,650 solid fuel burners to clean heat appliances. A comment to be included to demonstrate progress and show the number of solid fuel burners that had been converted to date
- Page 64 – Biosecurity Activity wallabies
  - Wallaby Management: Control work at Kaharoa having reduced the “number to one wallaby” should be replaced to state a “99% reduction in wallaby numbers” in Kaharoa
- Page 66 – Rotorua Air Quality Activity
  - A note to be added that the target of “a maximum of 3 exceedances” was a standard that had been set by national government (NESAQ standard to be expanded on in the table)
- Page 70 – Resource Consents Activity
  - An explanatory note to be added to clarify why only 55% of contents during the period were processed within the required statutory timeframe. (To note challenges such as staffing, numbers, complexity and a major new programme (Accela) being introduced, but also acknowledging the improved processing times as a result of new processes effective 1 July).

#### Item for Staff Follow-up

- The 2017/2018 Draft Annual Report to be reviewed to include the suggestions raised by members of the Audit and Risk Committee in preparation of the proposed final for adoption by Council on the 27 September 2018.

## **Resolved**

**That the Audit and Risk Committee:**

- 1 Receives the report, 2017/18 Draft Annual Report Review;**
- 2 Notes the audit of the Council for the year ending 30 June 2018 is in progress and that staff expect verbal audit clearance from Audit New Zealand prior to the Council meeting on 27 September 2018.**
- 3 Reviews and endorses the Draft Annual Report and Draft Annual Report Summary for the year ending 30 June 2018, for adoption by Council on the 27 September 2018.**

**Love/Cronin  
CARRIED**

## **8.5 Rangitaiki River Scheme Review (April 2017 Flood Event): Implementation update**

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

#### In response to Questions

- Noted that the “next period” referred to in the executive summary represented the period hence forth until the next Audit and Risk Committee meeting scheduled for 28 November 2018
- The results of the analysis of the geotechnical investigation on the concrete floodwalls on the Rangitāiki were still underway

- The Rangitāiki Stopbank Erosion / Cardno report was anticipated to be completed in the 4<sup>th</sup> quarter of 2018. The final completion date was March 2019.

#### Items for Staff Follow-up

- To provide committee members with an update on progress made with flood evacuation protocols for all other major flood schemes, particularly Whakatāne
- With reference to pages 62 to 63 of the “Cross reference of progress by recommendation” – under the “Implementation Progress” column, the statement “*This is best engineering practice that is already followed. Refer to Stopbank Guidelines 2014.*” to be elaborated on in future reports
- Page 63 (Review the Lake Matahina Flood Management Plan) – under the “Implementation Progress” column, recommendation O: the statement “*This is not being pursued at this time*” to be elaborated on to provide the relevant reasons
- At the next meeting of the Audit and Risk Committee scheduled for 28 November 2018, the report to provide guidance on the merits/necessity for future reports on the subject matter to be submitted to the Audit and Risk Committee beyond 2018.

## Resolved

**That the Audit and Risk Committee:**

- 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.**

Love/Von Dadelszen  
CARRIED

## 8.6 Production Forestry Debris Mobilisation Risk for the Bay of Plenty

*Refer PowerPoint Objective ID: A2958129*

Acting General Manager, Regulatory Sarah Omundsen, Eastern Catchment Manager Simon Stokes and Compliance Manager – Primary Industry & Enforcement Alex Miller presented the report supported by a PowerPoint Presentation.

#### Key Points

- The extent of the risk in relation to the extensive productive forest estate across the region was that Council was vulnerable at all locations
- Whilst the vulnerability to the risk existed virtually at all sites, the degree of risk escalated with landscape type, particularly slopes over 25 degrees, harvest management, forest economics, and if any community or community infrastructure was downstream
- There was the potential to lower the risk with mitigating actions and controls
- The National Environmental Standards for Plantation Forestry Regulations 2017 (NESPF) which came into force on 1 May 2018, provided a nationally consistent set of provisions to manage the environmental effects of plantation forestry activities.

#### Key Points – Members

- Noted that with the likelihood of a catastrophic event being so low, the recommendation was to accept the current risk score of ten. However, since the

risk could be potentially lowered to five through implementing a number of actions and controls, in association with the forestry sector, every endeavour should be made to lower the score to a five

- Staff to be conscious that the cleaning of beaches from deposited debris was not a function of the Bay of Plenty Regional Council.

#### Items for Staff Follow-up

- The following information to be forwarded to staff at the Transport Policy Department to assist with planning (Paragraph 2 under Background): *“Forestry and wood processing are a key industry in the Bay of Plenty, contributing about 10% of the regional GDP annually (approx. \$1,000,000,000). In the next ten years, the log harvest in the region is forecast to increase between 3 and 5 million cubic metres per annum, which would constitute a significant increase in associated harvest operations”*
- There was a vital need to be proactive in terms of management practices relevant to the replanting of forests as this could potentially create added risk (example cited was the estimated 8,000 tonnes of forestry debris at Matahina Dam). Further mitigation options should be considered/investigated by staff and future work programmes to be submitted to the appropriate committees.

## **Resolved**

**That the Audit and Risk Committee:**

- 1 Receives the report, Production Forestry Debris Mobilisation Risk for the Bay of Plenty;**
- 2 Agrees that the Production Forestry Debris Mobilisation risk (Appendix 1) is added to the Key Risk Register;**
- 3 Accepts the current risk score of ten (significant) for the Production Forestry Debris Mobilisation risk;**
- 4 Notes the future actions and controls that have been identified which could further reduce the risk of production forestry debris mobilisation.**

**Cronin/Love  
CARRIED**

10:39 a.m. - The meeting **adjourned**.

11:05 a.m. - The meeting **reconvened**.

## **8.7 Transport Activities Risks**

Acting General Manager Strategy & Science Namouta Poutasi and Transport Policy Manager Garry Maloney presented the report and responded to questions.

#### Key Points – Members

- Delivery of an effective public transport system would require a partnership approach and greater collaboration involving all partner authorities and agencies

- Mitigation actions listed in the risk register should focus on encouraging cultural/behavioural changes and should further demonstrate how these behavioural changes would be achieved.

## **Resolved**

**That the Audit and Risk Committee:**

- 1 Receives the report, Transport Activities Risks.**
- 2 Notes the strategic risks for Partnerships/Relationships, Meeting Expectations and Health and Safety currently contained in the Council's Key Risk Register which apply to the Transport Activities.**
- 3 Approves the inclusion of the Bus patronage and Transport Planning risks as new risks on Council's Key Risk Register.**
- 4 Accepts the current risk score of 9 (Significant) for the Bus patronage risk.**
- 5 Accepts the current risk score of 12 (Significant) for the Regional Transport Planning risk.**

**Von Dadelszen/Cronin  
CARRIED**

## **8.8 Internal Audit Status Update**

Principal Internal Auditor Steve Slack and Internal Auditor Claire Gordon provided an outline of the report and responded to questions.

## **Resolved**

**That the Audit and Risk Committee:**

- 1 Receives the report, Internal Audit Status Update;**

**Cronin/Love  
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 Public Excluded Audit and Risk Committee Minutes - 12 June 2018	Please refer to the relevant clause in the meeting minutes	Good reason for withholding exists under Section 48(1)(a)
9.2 Internal Audit Annual Report 2017/18 and Review Update	To prevent improper gain or advantage	Good reason for withholding exists under Section 48(1)(a)
9.3 Kopeopeo Canal Remediation Project Update 19	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 - June 2018 to September 2018	To protect measures that may prevent or mitigate material loss	Good reason for withholding exists under Section 48(1)(a)

Von Dadelszen/Love  
CARRIED

#### 8.10 Confidential Business to be Transferred into the Open

Nil

The meeting closed at 12:22 p.m.

Confirmed

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Chairperson, Audit and Risk Committee

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Date