

HUTT CITY COUNCILKOMITI ITI AHUMONI I TŪRARU | AUDIT AND RISK SUBCOMMITTEE

Minutes of a meeting held via Zoom on
Wednesday 23 April 2025 commencing at 10:00 am

PRESENT: S Tindal (Independent Mayor C Barry (Deputy Chair)
Chair)
(via audio-visual link) Cr J Briggs Cr S Edwards
Cr K Morgan Cr T Stallinger

APOLOGIES: There were no apologies.

IN ATTENDANCE: J Miller, Chief Executive
(via audio-visual link) A Blackshaw, Director Neighbourhoods and Communities
J Griffiths, Director of Strategy and Engagement
A Geddes, Director Environment and Sustainability
J Livschitz, Group Chief Financial Officer
P Hewitt, Head of Transport (part meeting)
B Hodgins, Strategic Advisor
D Newth, Financial Accounting Manager
N Reddy, Risk and Assurance Manager
M Connew-Simmons, Programme Manager (part meeting)
R Lemalu, Project Delivery Manager (part meeting)
L Siriwardena, Legal Operations Advisor (part meeting)
E Anand, Head of City Delivery (part meeting)
K Glanville, Senior Democracy Advisor
V Gilmour, Democracy Advisor

PUBLIC BUSINESS**1. OPENING FORMALITIES - KARAKIA TIMATANGA**

Whakataka te hau ki te uru	Cease the winds from the west
Whakataka te hau ki te tonga	Cease the winds from the south
Kia mākinakina ki uta	Let the breeze blow over the land
Kia mātaratara ki tai	Let the breeze blow over the ocean
E hī ake ana te atakura	Let the red-tipped dawn come with a
He tio, he huka, he hau hū	sharpened air.
Tihei mauri ora	A touch of frost, a promise of a
	glorious day.

2. APOLOGIES

There were no apologies.

3. PUBLIC COMMENT

There was no public comment.

4. CONFLICT OF INTEREST DECLARATIONS

There were no conflict of interest declarations.

Pursuant to Standing Order 10.4, the Chair announced that item 5: 'Update on Artificial Intelligence at Council' would be considered at the end of the public agenda, and gave precedence of business to the other items.

The item is recorded in the order in which it was listed on the agenda.

5. RECOMMENDATION TO TE KAUNIHERA O TE AWA KAIRANGI COUNCIL - 29 May 2025

Update on Artificial Intelligence at Council

Ben Wakely, Partner from PwC New Zealand was in attendance for the item.

The Director of Strategy and Engagement elaborated on the report.

In response to a question from a member, the Director of Strategy and Engagement stated that the next step would be for the Committee to refer the recommendations to Council. He mentioned that the risk-based initiative, particularly the partnership with PwC, had been reported through the Audit and Risk Subcommittee and was appropriate for Council review as it was an out-of-plan, investor-save programme.

Cr Stallinger acknowledged the benefits of AI tools, but emphasised the importance of careful oversight and proper verification.

Mayor Barry highlighted that Council was recognised nationally as a leader in adopting and utilising AI tools. He commended the officers for effectively balancing innovation with awareness of the potential impacts on their work. He emphasised the importance of maintaining this responsible approach. He described AI as an opportunity that Council must embrace to remain forward-looking.

RECOMMENDED: (S Tindal/Mayor Barry) **Minute No. ARSC 25201**

"That the Subcommittee recommends that Council:

- (1) notes that Council has made strong progress on artificial intelligence (AI) initiatives since the first update to the Audit and Risk Subcommittee in November 2024, including the rollout of 150 AI tool licences and the development of 15 custom AI assistants;*
- (2) notes that AI adoption is already estimated to save 44,000 hours of staff time annually, with teams increasingly developing and using AI tools independently;*

- (3) notes that the AI-Volution Project is being delivered under an “invest to save” model, with phased costs and a positive return on investment projected by financial year 2026/27;
- (4) notes the implementation of a structured benefits management approach and a new AI Risk Management Framework, including a risk-tiering system to support responsible use;
- (5) notes the proposed Phase 2 of the AI-Volution Project, which includes expanding licences and enabling end-to-end process automation;
- (6) notes that the Audit and Risk Subcommittee will receive a further update on AI progress at its meeting in June 2025;
- (7) acknowledges and supports the ongoing AI initiatives, including the AI-Volution Project and continuation of the strategic partnership with PwC; and
- (8) continues to commit to leveraging AI technologies to enhance operational efficiency, reduce costs, and improve service delivery, while building internal capability and aligning outcomes with the Long Term Plan.”

6. EXTERNAL AUDIT UPDATE - SEAVIEW MARINA LIMITED

Report No. ARSC2025/2/90 by the Financial Accounting Manager

The Financial Accounting Manager elaborated on the report.

RESOLVED: (S Tindal/Cr Briggs)

Minute No. ARSC 25202

“That the Subcommittee receives and notes the Audit New Zealand audit plan for Seaview Marina Limited Annual Report for the year ended 30 June 2025, attached as Appendix 1 to the report.”

7. EXTERNAL AUDIT UPDATE - URBAN PLUS LIMITED GROUP

Report No. ARSC2025/2/91 by the Financial Accounting Manager

Daniel Moriarty, Chief Executive of Urban Plus Limited, was in attendance for the item.

The Financial Accounting Manager elaborated on the report.

RESOLVED: (S Tindal/Cr Morgan)

Minute No. ARSC 25203

“That the Subcommittee receives and notes the Audit New Zealand audit plan for Urban Plus Limited Group Annual Report for the year ended 30 June 2025, attached as Appendix 1 to the report.”

8. EXTERNAL AUDIT UPDATE - HUTT CITY COUNCIL

Report No. ARSC2025/2/92 by the Financial Accounting Manager

Debbie Bradfield, Audit Director from Audit New Zealand, was in attendance for the item.

The Financial Accounting Manager elaborated on the report.

In response to a question from a member, the Financial Accounting Manager indicated potential issues with asset valuations due to recent reports from Wellington Water Limited (WWL). He stated that WSP was conducting a fair value assessment that would take into account WWL's findings and updated market data. He emphasised that this assessment was currently underway, with results expected soon. He noted that if adjustments were necessary, the WSP evaluation would facilitate updates to asset values without requiring a full revaluation. He assured members that planning was in place and the matter was being actively managed.

RESOLVED: (S Tindal/Cr Stallinger)

Minute No. ARSC 25204

"That the Subcommittee:

- (1) receives and notes the Audit New Zealand audit plan for the Group Annual Report for the year ended 30 June 2025, attached as Appendix 1 to the report;*
- (2) notes that the statutory deadline for the completion of the Group Annual Report 2023-24 is 31 October 2025;*
- (3) notes the planned external audit and review process, which includes reporting back to the Audit and Risk Subcommittee; and*
- (4) notes the focus areas for the external audit, which include the performance measures related to Wellington Water Ltd."*

9. RISK MANAGEMENT AND ASSURANCE UPDATE

Report No. ARSC2025/2/93 by the Risk and Assurance Manager - Finance

The Risk and Assurance Manager – Finance elaborated on the report.

In response to a question from a member regarding whether Wellington Water Limited (WWL) was offering value for money, the Chair clarified that the Subcommittee's ability to gather information directly from WWL was limited. She stated that they could only report on the information that had been provided to them. She acknowledged the member's concerns and emphasised the importance of grounding discussions in factual information.

The Chief Executive reported that concerns regarding WWL and value for money had been noted in the Strategic Risk Register for proactive management. She confirmed that members had been informed about the AECOM report, which indicated that expenditure was three times higher due to discrepancies in reporting. She mentioned that WWL would provide additional details to the Long Term Plan/Annual Plan Subcommittee in May 2025. She pointed out that Council's concerns were primarily related to non-tendered capital renewals that were processed through the Capital Panel. She noted that Council's Strategic Advisor was currently working with WWL to evaluate the extent of these issues, and updates would follow as the situation progressed. She highlighted that the Strategic Risk Register, which included internal controls and planned mitigations, would be revised as more information became available. She expressed confidence in the efforts of Council's Group Chief Financial Officer, Strategic Advisor, and senior leadership team in holding WWL accountable. While she acknowledged that increasing staff might not have completely prevented these issues, it could have improved the Council's oversight, particularly in light of the significant increase in investment in water infrastructure.

Mayor Barry cautioned members against referring to preliminary statements as established facts. He emphasised that the situation was still evolving, and definitive facts were pending. He advised that Council would soon engage directly with WWL to better understand the specific implications for Lower Hutt, which may differ from those affecting other councils. He noted that there may be delays in clarifying value-for-money concerns, primarily due to the capital works panel processes. He agreed with the call for open-mindedness, and he stressed the need for critical evaluation. He emphasised that Council must hold both WWL and itself accountable while ensuring that any structural reforms support the future success of the new entity.

The Chief Executive stated that an updated version of the Strategic Risk Register would be prepared as new information became available. She acknowledged the members' comments and emphasised the importance of using precise language based on facts rather than perceptions. She assured that this approach would be included in the next revision.

RESOLVED: (S Tindal/Cr Morgan)

Minute No. ARSC 25205

"That the Subcommittee:

- (1) receives and notes the information;*
- (2) notes there are 11 risks (previously 10) on Council's strategic risk register;*
- (3) notes, there is one new risk (Risk 1, Wellington Water Limited – Value for Money) have been added to the Strategic Risk Register;*
- (4) notes that the new risk has an overall residual risk rating of high;*
- (5) notes the update on "Other Activities" contained within the report; and*
- (6) notes the Risk Register as at 31 March 2025, attached as Appendix 1 to the report."*

10. SENSITIVE EXPENDITURE DISCLOSURES

Report No. ARSC2025/2/57 by the Financial Accounting Manager

The Financial Accounting Manager elaborated on the report.

RESOLVED: (S Tindal/Cr Briggs)

Minute No. ARSC 25206

"That the Subcommittee:

- (1) receives and notes the information; and*
- (2) notes the Sensitive Expenditure disclosure information attached as Appendix 1 to the report: Sensitive Expenditure 1 January 2025 to 31 March 2025."*

11. **HUMAN RESOURCES INFORMATION SYSTEM AND PAYROLL PROJECT UPDATE**

Report No. ARSC2025/2/58 by the Programme Manager

The Programme Manager elaborated on the report. She advised that a preferred provider had been selected, and Council's external lawyers had reviewed the contract. She added that once the contract was finalised, the officers would inform the Subcommittee about the chosen provider.

In response to a question from a member, the Programme Manager stated that one of Council's core requirements was compliance with the Holidays Act. She confirmed that the preferred provider was highly competent in this area and had assured that their systems were fully compliant. She further advised that contract wording was being developed to address the Holidays Act, ensuring that Council would be protected under current legislation and in the event of future changes.

RESOLVED: (S Tindal/Cr Stallinger)

Minute No. ARSC 25207

"That the report be received and noted."

12. **TUPUA HORO NUKU - QUARTERLY UPDATE**

Report No. ARSC2025/2/95 by the Project Delivery Manager

The Head of Transport elaborated on the report. He highlighted a new challenge that had emerged since the last update relating to the revised completion date for Te Ara Tupua, the Petone to Ngauranga cycleway, which had moved to March 2026. He noted that the Eastern Bays Shared Pathway's timing largely depended on alignment with this project. He further advised that officers were developing a three-lane closure strategy, which would require an amendment to the existing consent conditions. He added that this strategy was expected to enable concurrent work across the bays and support acceleration of the overall programme.

In response to questions from a member, the Head of Transport confirmed that officers were working to accelerate the programme, aiming to complete all bays by March 2026. He also stated that a communications plan would be developed to accompany the proposed changes. He added that this plan would include engagement with community boards and general notifications to the public.

RESOLVED: (S Tindal/Cr Edwards)

Minute No. ARSC 25208

"That the Subcommittee receives and notes the information."

13. THREE WATERS MATTERS

Report No. ARSC2025/2/96 by the Strategic Advisor

The Strategic Advisor elaborated on the report. He advised that Council received 282 submissions, with 74% supporting the preferred option. He further advised that the final section of liner installation for the Main Hutt Valley Wastewater Pipe along State Highway 2 was completed, with remaining works progressing on schedule for reopening on Sunday, 27 April 2025.

In response to a question from a member, the Strategic Advisor confirmed that officers would seek further information on the involvement of the Department of Internal Affairs Te Tari Taiwhenuas (DIA). He advised that feedback arose from ongoing discussions between DIA and the regional team preparing the Water Services Delivery Plan, which was due later in the year. He clarified that DIA's comments were preliminary and not based on a detailed analysis.

The Chair added that DIA was undertaking this work across all proposed new water entities, not just Wellington Water Limited. She advised that part of the challenge involved correctly attributing expenditure as capital or operational costs, particularly concerning renewals and maintenance. She further noted that the correct valuation of asset transfers and the calculation of debt to be transferred into the new entities remained significant unresolved matters. She emphasised the complexity of the process and confirmed that DIA's concerns related to the broader transition framework across all water entities, except Watercare as they transitioned to the new requirements on 1 April 2025.

RESOLVED: (S Tindal/Cr Stallinger)

Minute No. ARSC 25209

"That the Subcommittee:

- (1) notes that Wellington Water Limited (WWL) has advised that it will not be able to implement all of the actions within its Organisational Capability Plan due to funding constraints;*
- (2) notes the recent Government announcement to bring forward the Commerce Commission's monitoring role, under Local Water Done Well, for Wellington Water Limited;*
- (3) notes that the Department of Internal Affairs has some concerns with the proposed investment programme in the Water Services Delivery Plan, which are being worked through with the regional Local Water Done Well coordinating team; and*
- (4) notes that the preferred tenderer for the second stage odour improvement works at the Seaview Wastewater Treatment Plant is indicating in its work programme the ability to meet the completion date set by the abatement notice."*

14. COMPLYWITH: LEGAL COMPLIANCE SURVEY RESULTS

Report No. ARSC2025/2/97 by the Legal Operations Advisor

The Legal Operations Advisor elaborated on the report.

RESOLVED: (S Tindal/Cr Morgan)

Minute No. ARSC 25210

"That the Subcommittee:

- (1) *notes the report on the results from the ComplyWith legal compliance survey for the period 01 July 2024 to 31 December 2024.*
- (2) *notes that out of the 31 non-compliances recorded during the survey, 23 are already resolved. Once the duplicates from the remaining eight non-compliances have been removed, five Corrective Actions remain. These are listed in the attachment titled "List of remaining unresolved Corrective Actions"."*

15. INFORMATION ITEM**Audit and Risk Subcommittee Forward Programme 2025**

Memorandum dated 24 March 2025 by the Senior Democracy Advisor

RESOLVED: (S Tindal/Cr Edwards)

Minute No. ARSC 25211

"That the Subcommittee receives and notes the Forward Programme for 2025 attached as Appendix 1 to the memorandum."

16. QUESTIONS

There were no questions.

17. EXCLUSION OF THE PUBLIC

RESOLVED: (S Tindal/Cr Morgan)

Minute No. ARSC 25212

"That the public be excluded from the following parts of the proceedings of this meeting, namely:

18. *Update on Artificial Intelligence at Council - Confidential Appendix 4; and*
19. *Te Wai Takamori o Te Awa Kairangi | Riverlink Update*

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:

(A)

(B)

(C)

<i>General subject of the matter to be considered.</i>	<i>Reason for passing this resolution in relation to each matter.</i>	<i>Ground under section 48(1) for the passing of this resolution.</i>
<i>Update on Artificial Intelligence at Council - Confidential Appendix 4</i>	<i>The withholding of the information is necessary 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 (s7(2)(b)(ii)).</i>	<i>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 exist.</i>
<i>Te Wai Takamori o Te Awa Kairangi Riverlink Update</i>	<i>The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities (s7(2)(h)). The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (s7(2)(i)).</i>	<i>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 exist.</i>

This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as specified in Column (B) above.

That Ben Wakely, Partner from PwC New Zealand be permitted to remain after the public section of the meeting as he has knowledge of the Update on Artificial Intelligence at Council matter that will assist the Subcommittee in relation to the item."

There being no further business, the Chair declared the public part of the meeting closed at 10.56am. The public excluded part of the meeting closed at 11.04am.

S Tindal
CHAIR

CONFIRMED as a true and correct record
Dated this 29th day of May 2025