

MINUTES of a meeting of the Audit & Risk Committee of the Waikato District Council held in the Committee Rooms 1 and 2, District Office, 15 Galileo Street, Ngaruawahia held on **TUESDAY, 6 JUNE 2021** commencing at **9.32am**.

Present:

Ms M Devlin (Chairperson)
His Worship the Mayor Mr AM Sanson
Cr AD Bech
Cr JA Church
Cr JM Gibb
Cr NMD Smith [*from 11.30am Item PEX 2.1*]
Cr JD Sedgwick

Attending:

Mr C Susan (Audit New Zealand)

Mr GJ Ion (Chief Executive)
Mr TG Whittaker (Chief Operating Officer) *from 11.15am*
Mr R MacCulloch (General Manager Service Delivery)
Mrs S O’Gorman (General Manager Customer Delivery)
Ms A Diaz (Chief Financial Officer)
Mr G King (Chief Information Officer)
Mr C Bailey (Finance Manager)
Mr K Abbott (Projects & Innovation Manager)
Mrs K Jenkins (Risk Advisor, Project Management)
Mr M Balloch (Building Quality Manager)
Mr T Hayes (Building Review Team Leader)
Ms S Bourke (Community Safety Manager)
Mrs GJ Kanawa (Democracy Team Leader)

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Crs Bech/Sedgwick)

THAT apologies be received from:

- i) His Worship the Mayor and Cr Sedgwick for early departure; and**
- ii) Mr TG Whittaker (Chief Operating Officer) for lateness.**

CARRIED

A&R2106/01

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Crs Sedgwick/Gibbs)

THAT the agenda for a meeting of the Audit & Risk Committee held on Tuesday, 8 June 2021 be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 7 which shall be discussed with the public excluded;

AND THAT all reports be received.

CARRIED

A&R2106/02

DISCLOSURES OF INTEREST

The Chair, Ms Devlin, advised members of the committee that there were references to Watercare and Waikato Regional Airport in reports in the agenda. She declared an interest as a Director of Watercare and Waikato Regional Airport. It was also noted that there were no decisions required in respect of Watercare nor of Waikato Regional Airport.

His Worship the Mayor advised members of the Committee that he would declare a conflict of interest in regard to discussions (if any) on Waikato District Community Wellbeing Trust.

Councillor Church advised members of the Committee that she would declare a conflict of interest in regard to discussions (if any) on Waikato District Community Wellbeing Trust.

The Chief Executive advised members of the Committee that he would declare a conflict of interest in regard to discussions (if any) around Waikato Local Authorities Shared Services Limited.

CONFIRMATION OF MINUTES

Resolved: (Crs Gibb/Bech)

THAT the minutes of a meeting of the Audit & Risk Committee held on Wednesday, 10 March 2021 be confirmed as a true and correct record.

CARRIED

A&R2106/03

ACTIONS

Agenda Item 5

The report was received [A&R2106/02] and taken as read. The Chief Financial Officer noted the following matters:

- National Emergency Management Agency Rural Water Schemes Update

ACTION: National Emergency Management Agency Rural Water Schemes update to be sent to the Committee.

ACTION: All actions completed on the report and can be closed.

REPORTS

Chief Financial Officer Report

Agenda Item 6.1

The report was received [A&R2106/02] and taken as read. In speaking to the report the Chief Financial Officer highlighted the following points:

- Some issues arise out of the Budget 2021 that may not serve us so well.
- Evident that the work the Productivity Commission has done previously has had a big impact on legislation, including but not limited to the Finance and Funding Act, detailed options to be considered in regard to rail and Local Government reform.
- District Valuation update – valuation did not go particularly well as first to use WLASS system and caused a few issues. Believe Office of Auditor General will come in and audit the valuation work – if not an internal audit will be done as large part of our revenue base.
- Kainga Ora – consented authority a risk for us – we will capture this as a risk going forward.
- Submitted a remit to LGNZ around Kainga Ora seeking to protect risk Council's risk should they consider not to continue with this business.
- Solid Energy – liabilities occurred for rehabilitations and we need to ensure that this does not happen with Kainga Ora.
- Raised with AON regarding liabilities – Building Consent Authority would still fall to Council.

ACTION: Staff to update the Audit & Risk Committee meeting in June regarding Kainga Ora risks.

- Backlog of valuations on building consents – Relationship piece with Quotable Value NZ who are required to get through those consents – may need to use supplementary rating runs in the first quarter. We do monitor through the year.
- Valuation processes pushed out due to Covid. Experiencing record number of consents and they will be dealing with this issue with all other Councils they provide service to.

- Resource Issue – Requested additional resources in the Long Term Plan process and subject to Council decision later this month it is anticipated this will be approved.
- Is there an option to utilise technology to streamline processes and generate efficiencies where needed. Working through a list of ideas and ways to achieve efficiencies and assist with managing workloads whilst also acknowledging the potential on the overall budget.
- Staff resources will become more of an issue. This is also a New Zealand Inc issue, with an extremely tight labour market.
- Managed peaks and troughs through consultants but even getting push back from them. We will need to increase our own resources and start training people ourselves to ensure less reliance on consultants.

ACTION: Staff to add Quotable Value audit to risk register.

- Submissions on the InfaCom National Infrastructure 30 Year Strategy required 24th June, noting that Councillors have received an email with the draft policy but it will require retrospective approval by Council and will be signed off by the Submissions Forum.
- Regional spatial plans – discussions around Hamilton to Auckland corridor plan, the work that Future Proof is doing, the Metro-spatial plan, the River Communities work already being done – it is believed the Waikato is very well served in this space, therefore the discussion is can we not link all this together and call it a Regional Spatial Plan. However, it is not that easy and paperwork lacks national direction.
- Infrastructure NZ is hosting a session with InfraCom 18 June in Hamilton to discuss these issues.
- Taituara already made submission and we will base ours on the work they have already done.

ACTION: Staff to determine who is handling this submission and report to Council once finalised.

Strategic Risk Register and Emerging Risks June 2021

Agenda Item 6.2

The report was received [A&R2/06/02] and taken as read. In speaking to the report the Risk Advisor highlighted the following points:

- Two new risks have not yet been assessed – Affordability Risk and Community Expectations Risk.
- Key risk activities – all Business Continuity Plans from teams have been received and we are identifying the high priorities which will inform organisational Business Continuity Plan. The work will be finished on this by the end of the week which will lead into our Disaster Recovery Plan.
- Ongoing pandemic response and Local Government Review both have risks that need us to ensure we have good connections with our peers to determine the impacts of the legislation changes as they emerge.
- It was acknowledged that whilst progress has been a slow burn, progress is being made. Work would continue on simplifying the processes.
- Risk Manager – one person cannot have that amount of knowledge – we need to develop clearer picture of risks and how we deal with them on a day to day basis. Part of the Risk Advisor's role to provide this guidance and training to the organisation.
- Project management framework seems to be still aspirational – the Risk Advisor noted that is not the case as the business is making inroads – report to reflect this.

ACTION: Report to include most up to date information rather than the story of getting there, which does need to be captured but perhaps simplify the report to include latest information only.

- Supply Chain impact due to COVID - Water industry hit particularly hard to obtain pumps/infrastructure which has resulted in impact on the delivery of capital projects. Odd exception in other areas, i.e. wood for fencing and bitumen supply – Marsden point being phased out so we are concerned about our buying power in the future in the international market. Looking at substitutes without compromising quality of product.
- WLASS coordinated infrastructure provision looking at types of work that Council partners are doing to try to achieve better buying power – still an issue finding contractors and materials due to COVID.
- Will become more of a constraint with the property boom causing issues with lack of materials coming from overseas.

ACTION: Impact of COVID on procurement needs to be reviewed by Council and ensure that where substitutes are used, the final quality of the product is not impacted negatively.

- Procurement area and forecasting – need to get better at this. Long Term Plan process more robust this time and has allowed this planning to occur.

RISK

Risk Conversations – Building Quality Agenda Item 6.3

The report was taken as read. In speaking to the report Building Quality Manager:

- Resource concerns – are we going to be able to pay more money to attract the right staff. That decision is made by Council, i.e. do we put the fees up to be able to pay more, but need to keep in step with other Councils.
- We are up against a very dollar driven market with Consentium (division of Kainga Ora) and whilst we have not lost any existing staff to this we have lost two prospective candidates due to salary levels.
- Concern that accreditation may be revoked. We have currently replaced staff we have lost, but there is a lag between employees moving on and employing new staff. Contractors are used to fill this gap and ensure that accreditation is maintained.
- We are exposing ourselves to increasing risk when we are not undertaking inspections of swimming pools and warrant of fitness work. There is significant reputational risk also.
- Earthquake prone buildings work has to be done by June next year, contractor confident that this will be completed in time.
- Council public/community facilities are outside of this. The risk assessments were completed last year and any associated work is underway
- Still doing work on high risk building warrants – IQP. Follow up is required to ensure that IQP is delivering in line with expectations.
- Resourcing clearly key theme coming through report – who are contractors (BSC Group, Comply NZ) EQ (Waikato Building and Compliance)
- Swimming pools – are we at risk if someone drowns – owner actually responsible to ensure their pool is fenced correctly, but there is an issue regarding whether we have been completing the checks.
- Can we outsource and can WLASS do this? WLASS has looked at doing this – has not progressed as quickly as has not got buy-in from other Council partners.
- Not a good time to be undergoing a review like this, same for all Councils as they do not have the resource to do a review.
- Can technology be used to reduce workload – Progress being made around Learning & Development, as well as Technology (some cost barriers here) - most Councils will be on same technology except for Hamilton and Otorohanga. Ensuring processes and technology implemented is a key with the Local Government Reform.

ACTION: Further update in September in regard to resourcing and risks.

ACTION: Elements of Learning & Development and technology opportunities to be included in September report.

His Worship the Mayor left the meeting at 10.38am at the conclusion of the above item.

Deep Dive Report – Affordability
Agenda Item 6.4

The report was taken as read. In speaking to the report the Chief Financial Officer highlighted the following points:

- Not being able to provide and maintain the services and infrastructure, solely due to funding constraints.
- Debt capacity constraints what we can deliver on the ground – not sure if Local Government Reform work will cover this.
- Should further work be carried out on alternative funding options?. This would include a cost benefit analysis. Cannot keep putting rates up as people cannot afford to pay.
- Need to consider focussing on areas that need investment, rather than those that want additional investment.
- Economies of scale might be addressed through Local Government Reform.
- Resource Management Act – \$250,000 put aside to deal with this reform.
- Central Government must play a part in some way as their reforms are costing Council's significant amount to resource these reviews.
- Challenge is understanding quantum of issue, then take risk based approach whilst not losing sight of the fact of the long term goals - affordability a factor.
- Need greater clarity around cashflow forecast, as well as greater certainty around projects that can be completed before we consider a credit rating.
- There is a margin we pay to achieve a credit rating – need to increase debt by 20m for it to be beneficial.

ACTION: Continue to explore alternative options for funding, including credit rating and focus on areas of greatest benefit

- Consideration needs to be given to moratorium on Private Plan changes for two (2) years once District Plan review is complete.
- Noted that once the Plan is completed it could be superceded or immediately be out of date as the process takes so long to complete. Council did put moratorium on previous plan which was challenged by developers in some cases.

Resolved: (Crs Bech/Gibb)

THAT the Audit & Risk Committee support management's residual risk assessment of High (likelihood possible, consequence catastrophic).

CARRIED

A&R2106/04

Cr Sedgwick – left the room at the conclusion of Item 6.4 at 10.58am and returned during discussion on Item 6.5 below at 11.05am.

Insurable Risk Strategy Update

Agenda Item 6.5

The report was taken as read. In speaking to the report the Chief Financial Officer highlighted the following points:

- Last year renewed contract with broker so delay during the year around that.
- Workshops sessions held with AON to understanding of our current insurable risk position with a view to developing a strategy for the future.
- Number of suggestions to go forward and tie in with AON to do this as we have lost internal resource.
- What is the value of progressing with this work as we have been considering how to reduce premiums and self insure.
- Natural disaster cover has got better also with identification of underground assets.
- Gap caused around interdepartmental issues, however using PROMAPP and other technology to protect intellectual property and develop cohesion.

ACTION: Opportunities and actions section of the report needs to be cross referenced against our strategic risks and capture how capex is delivered along with risks we are addressing.

Waikato District Council Zero Harm Report

Agenda Item 6.6

The report was taken as read. In speaking to the report the Chief Executive highlighted the following points:

- Building our health and safety systems but still gaps needed to be filled.
- A key focus is capturing the spirit of the systems and empowering staff to take ownership and drive the culture.
- High priority for Council staff, with high level of commitment driven from the Executive Leadership Team.
- Regular meetings with Alliance, Watercare, City Parks, Solid Waste Contractors and many other contracts to ensure our health and safety risks are fully understood.

ACTION: Staff to include a summary table of meetings held with contractors regarding our Zero Harm strategies.

- Dog Pound – continues to cause concerns. Cannot find a contractor to service the district and actively recruiting to find new people for the team – repurposing staff to other areas, i.e. education. Team ensuring processes being put in place to reduce harm for staff.

- Funding in Long Term Plan for new pound facility which will go to Council workshop to progress and answer physical issues – most high or medium identified risks have been covered.
- Council are obliged under legislation to provide this service. There is more work around dangerous dogs etc rather than unregistered dogs.
- Business Leaders Forum provides good guide on zero harm and well being and Chief Executive actively involved in this forum.
- Ports of Auckland report on health and safety culture. - Council staff have reviewed report and confirm it clearly highlights the importance of an effective health and safety culture.

Cr Gibb – left the meeting at 11.10am and reentered the meeting at 11.15am.

OTHER REPORTS

Resource Consent Compliance Monitoring – KPMG Audit Report Agenda Item 6.7

The report was taken as read. In speaking to the report the Community Safety Manager – Regulatory, highlighted the following points:

- Criticism around community expectations as we set conditions yet do not adequately monitor these. However, we are getting better and developing processes and communication across teams.
- Possibly have optimistic timelines in the report at present due to resource – need to look at function as a whole rather than individual targets as set out in the report.
- Noted that the wellbeing of staff was a real concern as staff are dedicated to achieving outcomes but may cause burn out.
- Eight new land use consents each week so there is definitely an issue in regard to resourcing and we have approved additional resource but this also takes time.

ACTION: Staff to review timelines and ensure they are reasonable and don't add to the burden.

His Worship the Mayor reentered the meeting at 11.25am during the above item.

IANZ Audit Report
Agenda Item 6.8

The Building Quality Manager and Building Review Team Leader took the report as read and the following discussion was held:

- Competency assessments alarming – this was caused with an issue with a contractor who was doing assessments and made assurances work would be completed in time, yet this was not the case. Lesson learnt for future but could not have done differently.
- Building Control Authorities have different view in regard to Competency Assessments to IANZ. Work is being done Waikato Local Authority Shared Services in this area.
- Quality Assurance Manager interviews currently occurring. The manager is a named person in the Quality Assurance Manual and was employed but the function was not being carried out – another lesson learnt.
- Need a mechanism in place to ensure contractors are doing what they say.
- Not good enough if WLASS was not doing something. WLASS has taken different approach at request of shareholders and need to find a new manager to take on role.
- We have an Advisory group and technical committee. However, the level of non-compliance in respect of the manual was a surprise. We are trying to fill gap with a person who has full qualifications to do the role.
- Great case study that it is a risk to the organisation – yet not in register. Losing accreditation is significant risk for the organisation.
- Processes not operating in the way we thought and need to hold external parties to account. Tidy up processes and how did this fall through the gaps.

ACTION: Staff to add to risk register and tidy up processes to ensure no gaps and ensure accreditation is maintained.

Procurement and Contract Management Update
Agenda Item 6.9

The report was taken as read. In speaking to the report the Chief Financial Officer highlighted the following points:

- New Procurement Manager commences 5 July.
- Delivery team providing mature practices and robust processes.

2020/21 Annual Report Preparation

Agenda Item 6.10

The report was received [A&R2103/02] and taken as read. The Financial Manager highlighted the following:

- Found some issues with Capital Expenditure but these will be resolved by end of year.
- National resourcing framework – a lot of pressures on auditors. Looks like we can deliver but issues around resourcing. If there are going to be issues around delivery early warning would be appreciated.

Cr Sedgwick left the meeting at 11.19am following conclusion of the above item.

Post implementation Review – W10/O365 Implementation Project

Agenda Item 6.11

The report was received [A&R2103/02] and taken as read. The following discussion was held:

- Many of the Committee did not know what the project was, needed clearer report titles in future.
- Three different projects – refresh existing devices (upgrades), roll out Office 365 and roll out Microsoft Teams. Due to COVID we put all three projects together but should have reduced the number of project managers (two utilised and we only needed one).
- Partners are accessing CAMS to enable us to ensure they are meeting timeframes and within budget.

Draft Risk Management Policy

Agenda Item 6.12

The report was received [A&R2103/02] and taken as read. The following discussion was held:

- Identify what are essential services – link to Business Continuity Plan.
- Emerging risks need to be captured– what is the work done.
- Reference to Council needs to be consistent, either Waikato District Council or Council not both.

ACTION: Updates suggested to be circulated outside of meeting and can go through to the Policy & Regulatory Committee

Fraud Prevention Policy Review

Agenda Item 6.13

The report was received [A&R2/03/02] and taken as read. The following discussion was held:

- Clarification sought about who policy applies to – add contractors as not just referring to monetary fraud.
- Up front description that Council has zero tolerance to fraud.

ACTION: Updates suggested to be circulated outside of meeting and can go through to the Policy & Regulatory Committee for approval.

Quality & Governance Assurance

Agenda Item 6.14

The report was received [A&R2/03/02] and taken as read.

- Quite a significant amount of progress made – acknowledgement of work done.

Updated Future Work Plan

Agenda Item 6.15

The report was received [A&R2/03/02] and taken as read. No discussion was held.

Register of Interests – Elected and Appointed Members

Agenda Item 6.16

The report was received [A&R2/03/02] and taken as read. No discussion was held.

EXCLUSION OF THE PUBLIC

Agenda Item 8

Resolved: (His Worship the Mayor/Cr Church)

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 each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Item number 1 Confirmation of Minutes	Good reason to withhold exists under Section 6 or Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
Item number 2.2 Cyber Security June 2021 Update		
Item number 2.3 Register of Members' Interests – Staff		

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item No.	Section	Interest
Item 1 Confirmation of Minutes		Refer to the previous Public Excluded reason in the agenda for this meeting.
Item 2.2 Cyber Security June 2021 Update	7(2)(b)	Protect information where the making available of the information:
	7(2)(b)(i)	Would disclose a trade secret, or
	7(2)(b)(ii)	Would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information; or
	7(2)(e)	Avoid prejudice to measures that prevent or mitigate material loss to members of the public; or
	7(2)(j)	Prevent the disclosure or use of official information for improper gain or improper advantage.

