

MINUTES of a meeting of the Audit & Risk Committee of the Waikato District Council held via Audio Visual Conference on **THURSDAY, 16 SEPTEMBER 2021** commencing at **9.30am**.

Present:

Mr P Stubbs (Chairperson)
His Worship the Mayor Mr AM Sanson [*until 9.56am*]
Cr AD Bech
Cr JA Church
Cr JM Gibb
Cr JD Sedgwick

Attending:

Cr L Thomson

Mr GJ Ion (Chief Executive)
Mr TG Whittaker (Chief Operating Officer)
Mr R MacCulloch (General Manager Service Delivery)
Mrs S O’Gorman (General Manager Customer Support)
Mr V Ramduny (Acting General Manager Community Growth)
Mrs L Shirley (Zero Harm Manager)
Ms A Diaz (Chief Financial Officer)
Mr K Abbot (Projects and Innovation Manager)
Mr G Mason (Innovation and Risk Manager)
Mr M Balloch (Building Quality Manager)
Mr C Bailey (Finance Manager)
Ms M Russo (Corporate Planning Team Leader)
Mrs GJ Kanawa (Democracy Team Leader)

Ms C Susan (Audit New Zealand)
Ms K Macown (Audit New Zealand)

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Mr Stubbs/Cr Bech)

THAT the apology from His Worship the Mayor, AM Sanson, for early departure for other Council business be received.

CARRIED

A&R2109/01

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Mr Stubbs/Cr Sedgwick)

THAT the Audit & Risk Committee:

- a) confirms the agenda for the meeting of the Audit & Risk Committee held on Thursday, 16 September 2021;
- b) agrees all items therein be considered in open meeting, with the exception of those items detailed at agenda item 8 which shall be discussed with the public excluded and item 7.2 which will be considered out of cycle; and
- c) receives all reports.

CARRIED

A&R2109/02

Action: Attachment for Item 7.2 was not attached to the agenda last week and only circulated to members during the meeting, therefore any feedback should be sent to the Democracy team to obtain answers between now and the December committee meeting.

DISCLOSURES OF INTEREST

His Worship the Mayor and Cr Church advised members of the Committee that they would declare a conflict of interest in any discussions that arise on Waikato Wellbeing Trust, for which they were members.

Mr Stubbs advised members of the Committee that he would declare a conflict of interest as Chairman of Waikato Local Authority Shared Services.

CONFIRMATION OF MINUTES

Resolved: (Mr Stubbs/Cr Sedgwick)

THAT the minutes for the meeting of the Audit & Risk Committee held on Tuesday, 8 June 2021 be confirmed as a true and correct record, with the following amendment:

- a) noting that Cr Smith is not a member of the Committee and should be put in the attendance list at the bottom with the officers (not the present list as currently indicated).

CARRIED

A&R2109/03

REPORTS

Audit & Risk Committee Action Register for September 2021

Agenda Item 5

The report was received [A&R2109/02] and taken as read. The following discussion was held:

- More information was requested regarding the dog pound – it was agreed that further information would be circulated to the Committee on this issue.

Resolved: (Mr Stubbs/Cr Bech)

THAT the Audit & Risk Committee notes the updated Action Register for September 2021, and further notes there will be an out of cycle update on the dog pound issues.

CARRIED

A&R2109/04

Action: Staff to provide an out of cycle update to the committee on the dog pound issues.

Chief Financial Officer Report

Agenda Item 6.1

The report was received [A&R2109/02] and taken as read. In speaking to the report the Chief Financial Officer highlighted the following points:

- Website pulled together from neighbouring councils on Three Waters – need to provide caution on what is reported on that website.
- Waikato District Council had provided feedback to the Department of Internal Affairs on their proposal.
- Waikato will make a position on whether they Opt “in” or “out” of the proposal on Tuesday, 28 September 2021.

Further discussion was held as follows:

- Are there any trends that may be a risk in the future? Resourcing will be an issue but it was not raised during the lockdown period as it is difficult to recruit during these times.
- What happens if people en masse decide not to pay rates? We are receiving good sector advice from the Covid Resurgence Group and a number of councils are delaying their penalty runs, however there had been a steady stream of payments occurring even during lockdown. Good number of calls regarding why they have to pay their instalments when they can't get into the office but working through those with those customers.
- Providing the advice to customers for objections against valuation to make first instalment and once valuation resolved adjustments (if any) will be made or they are at risk of penalties arising.

Resolved: (Mr Stubbs/Cr Bech)

THAT the Audit & Risk Committee notes the updates from the Chief Financial Officer.

CARRIED

A&R2109/05

Strategic Risk Register and Emerging Risks September 2021
Agenda Item 6.2

The report was received [A&R2109/02] and taken as read. The following discussion was held:

- Could we have a heat map as to where we need to keep our attention, with the balance running as normal just being an attachment? Refer below action.
- Affordability Risk – issue around how can council maintain the services to ratepayers within their affordability (highlighted with Three Waters Reform)? Council did a deep dive on affordability risk during the workshop with KPMG in December last year – this was wording provided out of that workshop.
- Need to ensure risk mitigations are up to date – some of which are due for reporting by 1 December – need to ensure we meet any inherent risk targets.
- Significant harm is caused to workers – inherent rating is extreme and risk appetite low. Can we not do anything to work towards mitigating this risk? Yes, we are working towards this but as of now until we have a number of outcomes we are looking to deliver in plan we can't reduce the residual rating.

Action: Staff to look at reporting mechanisms so it highlights any issues the committee need to keep an eye on, with the balance of issues that are on track being in the large attachment report.

Resolved: (Mr Stubbs/Cr Gibb)

THAT the Audit & Risk Committee notes the Strategic and Emerging Risks as outlined in the register attached to the report.

CARRIED

A&R2109/06

His Worship the Mayor left the meeting during the above item at 9.56am.

Risk Conversations – Building Quality

Agenda Item 6.3

The report was received [A&R2109/02] and taken as read. In speaking to the report the Building Quality Manager highlighted the following points:

- All non compliances had been cleared and we are working strongly toward no reoccurrence of these matters.
- Recruitment is still an issue and we are struggling to fill roles – similar issue for other councils too.

Further discussion was held as follows:

- What is the risk for not complying with inspections – pools for instance, legislatively and reputationally? If an accident does occur regarding pools, we are not liable. Responsibility lies with the pool owner, however reputationally there is a risk. However, whilst there is a shortage of materials for building sites our inspectors have been doing pool inspections, which is working towards us catching up with the backlog.
- Concern regarding burn out of team? Yes, this is always a concern and not an easy fix whilst we have gaps in positions. A number of wrap around services are being provided by the Executive Leadership Team in regard to consciously accepting timeframes are not going to be met and surveys being run promoting staff to look after their wellbeing first and foremost.
- The Chief Executive noted he met with inspectors bi-monthly and the last conversation was they felt supported and were on top of workloads.
- Does your team feel supported as they can be? Yes - more staff would help immeasurably, but symptoms of the time.

Resolved: (Mr Stubbs/Cr Sedgwick)

THAT the Audit & Risk Committee notes the progress made on mitigation of risk in the Building Quality area.

CARRIED

A&R2109/07

Deep Dive Report – Growth

Agenda Item 6.4

The report was received [A&R2109/02] and taken as read. In speaking to the report the Acting General Manager, Community Growth highlighted the following points:

- Report refers to the University of Waikato 2020 growth strategy – recommendation to Council for Monday, 20 September 2020

Further discussion was held as follows:

- Note teams will continue to work on monitoring our development capacity and actual dwelling consenting as we know that we are growing across the district, so checking/ground truthing University of Waikato trends are important as we know things on the ground that they will not necessarily be aware of.
- What work is being undertaken on a sub regional or regional consideration with other councils to aggregate information to provide us with better insights about growth prospects across political boundaries? Particular workstream across councils that will provide this oversight.
- Inherent risk score assessment prior and post deep dive – dramatic reduction in risk consequence, yet our experience and pressure to deliver hard infrastructure to keep up with growth. This is the to do with the planning for infrastructure which we are able to monitor regularly and would increase the risk consequence as soon as we identified an issue.
- Consequences of growth and reputation for non-delivery – if Council had lenses focussed on customers, where is the relationship with developers to understand what is coming for the future? Very silo approach – what connectivity is there? There is a risk in the register that covers supply chain issues and risks in being unable to meet demands.
- Silo of model used needs more conversation – growth, risk and reputational issues need to have interconnectivity within report.

Resolved: (Mr Stubbs/Cr Gibb)

THAT the Audit & Risk Committee confirms:

- a) the existing risk be changed as follows - **“Council experiences significant business, financial and community disruption as the result of inaccurate growth forecasts. population and household growth not occurring in line with forecasts.”**;
- b) the current risk treatments be removed and replaced with the new risk treatments outlined in this report;
- c) the inherent and residual risk likelihood and consequence be updated as outlined in this report; and
- d) notes that staff will provide an out of cycle update on the issues raised regarding inherent risk score assessments in regard to growth and supply chain issues.

CARRIED

A&R2109/08

Action: Staff to provide further update out of cycle on the resolution d) above.

Tax Risk Management Update

Agenda Item 6.5

The report was received [A&R2109/02] and taken as read. In speaking to the report the Chief Financial Officer highlighted the following point:

- Assured the committee that events that occurred with the error in the self declaration GST issues won't happen again as we have put appropriate processes in place, including peer reviews of spreadsheets and data.

Resolved: (Mr Stubbs/Cr Church)

THAT the Audit & Risk Committee notes the tax risk management update.

CARRIED

A&R2109/09

Waikato District Council Zero Harm Update

Agenda Item 6.6

The report was received [A&R2109/02] and taken as read. In speaking to the report the Zero Harm Manager highlighted the following points:

- Last three (3) months had been busy and the end of year performance review had been completed. This led to a new zero harm strategic plan for the new year, with changes to activities – zero harm engagement conversations which will lead to better analysis of data.
- Big achievement is 60% delivery of workplace violence situational awareness and tactical training programme, another four courses which would mean we have trained 168 people in the organisation – these have been delayed due to Covid lockdown.

Further discussion was held as follows:

- What are the areas of concern you have? Management of critical risks and making sure we implement, with haste, any controls and have robust assurance controls are in place with ongoing reviews.
- There are three critical risks – mental wellbeing, work on or near roadways and working with firearms. Trickiest issue is in regard to wellbeing – this will involve the most thought and would impact on more people across the organisation.
- Safety culture and leadership standard piece is obviously moving beyond clipboard to put ambulance at top of cliff or back from it – whole wellbeing piece of work really important – hybrid model of different workplaces or at home that create more zero harm issues.
- We are giving our people the right tools to identify/assess situations and implement controls and have developed a much more dynamic risk assessment model for staff to manage their own risk.

Would like to see trend analysis for zero harm, which categorises extreme alert as significant gap between post mitigation risk currently and appears high risk appetite.

Resolved: (Mr Stubbs/Cr Church)

THAT the Audit & Risk Committee notes the Zero Harm Update.

CARRIED

A&R2109/10

Action: Staff to consider providing a trend analysis portion to the report in regard to activation of mitigations across the critical risk areas to ensure we are moving downwards.

Proposed Revision of the Audit & Risk Committee Terms of Reference
Agenda Item 6.7

The report was received [A&R2109/02] and taken as read. No discussion was held.

Resolved: (Mr Stubbs/Cr Bech)

THAT the Audit & Risk Committee recommend to Council adoption of the revised Audit & Risk Committee Terms of Reference.

CARRIED

A&R2109/11

Information and Records Audit Management Report
Agenda Item 6.8

The report was received [A&R2109/02] and taken as read. No discussion was held.

Resolved: (Mr Stubbs/Cr Gibb)

THAT the Audit & Risk Committee notes the Information & Records Management Audit report recommendations as listed in the report.

CARRIED

A&R2109/12

Audit and Risk Committee Key Achievements

Agenda Item 6.9

The report was received [A&R2109/02] and taken as read. In speaking to the report the Deputy Chair, Cr Gibb highlighted the following points:

- Staff had taken on any suggestions and provided good guidance for which the committee appreciates and is proud of where they had taken us.
- Need to consider a scale of starting point, guidance on where we need to go and how to achieve our targets – noting this is in the terms of reference regarding the maturity of the committee over time.
- Keep remainder of councillors connected to what is occurring at this committee.
- Tighter focus and brevity which allows time and space for the committee to provide overview and oversight without getting bogged down in paperwork.
- Chair would like to caucus with members from time to time to land a series of benchmarks that we can focus on.

Resolved: (Mr Stubbs/Cr Gibb)

THAT the Audit & Risk Committee notes the progress made in several areas in the 2020/21 financial year and that activities undertaken met all requirements outlined in the Audit & Risk Committees Terms of Reference.

CARRIED

A&R2109/13

2020-21 Annual Report

Agenda Item 6.10

The report was received [A&R2109/02] and taken as read. In speaking to the report the Finance Manager highlighted the following points:

- In relation to annual report – the Chair advised he was not sufficiently qualified to make an opinion on financial statements for the annual report. It was noted that the actual report and risk related to the financial statements would not be attached in future.
- The Chair enjoyed the opportunity to learn and read about the district.
- Executive summary on how we are performing to be placed at the beginning of financial statements to say how we are actually doing for those who don't understand the detailed financials.
- Need to reference that \$11.34million was actually our share of the \$761million noted on page 17 of the annual report – it was noted that this had been noted further on in the document.
- Downer / Cushman Wakefield contracts had recently been rolled over or renewed – very early on with both of these so audit of performance at this stage but will be done on regular basis going forward.

- The review deadline for the Alliance contract is December. A lot of work had been done on what demonstrates performance.
- It was noted capital expenditure deficits are funded by debt and recovered over time from Development Contributions and Agreements.
- Business units are growing less than national average – need to refer to growth team.
- Graphic on general rate funding for water and refuse could be seen as misleading as it doesn't account for targeted rates that also fund these services – perhaps we need to look at this in the future.
- Perhaps breakdowns on how we spend other targeted rates district wide needs to be looked at for next year also.

Resolved: (Mr Stubbs/Cr Bech)

THAT:

- a) subject to receiving final clearance from Audit New Zealand, the Audit & Risk Committee recommends to Council the adoption of the Annual Report 2020/21 (as attached to the staff report) from a risk perspective; and
- b) improvements to the Annual Report process be captured, with progress on actions being reported to the March 2022 Audit & Risk Committee meeting.

CARRIED

A&R2109/14

Actions: Growth team to provide further information regarding why business units in the Waikato are growing less than the national average and what risks arise from this.

Breakdowns for how we spend targeted rates should be included with how we spend general rates for future years.

Final Audit Management Report for the Long-Term Plan 2021-31
Agenda Item 6.11

The report was received [A&R2109/02] and taken as read. No discussion was held.

Resolved: (Mr Stubbs/Cr Gibb)

THAT the Audit & Risk Committee notes the final Audit Management Report for the Long-Term Plan 2021-31.

CARRIED

A&R2109/15

Quality and Governance Assurance Update – September 2021
Agenda Item 7.1

The report was received [A&R2109/02] and taken as read. No discussion was held.

Resolved: (Mr Stubbs/Cr Bech)

THAT the Audit & Risk Committee notes the Quality and Governance Assurance update for September 2021.

CARRIED

A&R2109/16

Updated Future Work Plan
Agenda Item 7.2

The report was received [A&R2109/02] and taken as read. In speaking to the report, the Chief Operating Officer highlighted the following points:

- It was noted that the work programme was not provided until the meeting, questions to be forwarded to Democracy team who will forward to the team for response.

Actions: Committee members to provide any questions to the Democracy Team who will forward to staff for response.

Register of Interests – Elected and Appointed Members
Agenda Item 7.3

The report was received [A&R2109/02] and taken as read. No discussion was held.

Resolved: (Mr Stubbs/Cr Church)

THAT the Audit & Risk Committee notes the registers of interests.

CARRIED

A&R2109/17

EXCLUSION OF THE PUBLIC

Agenda Item 8

Resolved: (Mr Stubbs/Cr Bech)

a) 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 Action Register		
Item number 3.1 Fraud Declaration		
Item number 3.2 Register of Members' Interests – Staff		
Item number 3.3 Application Landscape and Associated Risks		
Item number 3.4 Committee time with Audit NZ (management excluded)		

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 Action Register		Refer to the previous Public Excluded reason in the agenda for this meeting.
Item 3.1 Fraud Declaration	7(2)(a)	To protect the privacy of natural persons, including that of deceased natural persons.
	7(2)(c)(ii)	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.
Item number 3.2 Register of Members' Interests – Staff	7(2)(a)	To protect the privacy of natural persons, including that of deceased natural persons.
Item number 3.3 Application Landscape and Associated Risks	7(2)(b)	Protect information where the making available of the information: (i) would disclose a trade secret, or (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.
Item number 3.4 Committee time with Audit NZ (management excluded)	7(2)(c)(ii)	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.

