

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 **MONDAY 19 DECEMBER 2016** commencing at **9.00am**.

Present:

Ms M Devlin (Chairperson)
His Worship the Mayor Mr AM Sanson
Cr A Bech
Cr JM Gibb
Cr B Main

Attending:

Cr Fulton
Cr Lynch
Mr TG Whittaker (Acting Chief Executive)
Ms S Duignan (General Manager Customer Delivery)
Mr T Harty (General Manager Service Delivery)
Mrs RJ Gray (Council Support Manager)
Ms A Diaz (Finance Manager)
Mr R Java (Procurement Manager)
Mr C Clarke (Roading Manager)
Mrs K Jenkins (Project Management Advisor)
Ms M Russo (Corporate Planner)
Mrs A Parquist (Customer Delivery Manager)
Mr K Lockley (Zero Harm Manager)
Mr V Ramduny (Strategy & Planning Manager)
Mr M Wilcock (Chief Information Officer)
Ms B Nand (KPMG)
Mr D Sutton (KPMG)
2 staff

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Crs Gibb/Bech)

THAT an apology be received from and leave of absence granted to Cr Sedgwick.

CARRIED on the voices

A&R1612/01

The Chair noted an apology from Mr Pieterse and Ms Proctor, Audit New Zealand.

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Crs Gibb/Bech)

THAT the agenda for a meeting of the Audit & Risk Committee held on Monday 19 December 2016 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 in accordance with Standing Order 3.7.2 the order of business be changed with agenda item 6.2 [*Zero Harm Update*] being considered after agenda item 5.2 and agenda item 2.3 [*Cash-Free Council Operations*] being considered as the first report on the public excluded agenda.

CARRIED on the voices

A&R1612/02

DISCLOSURES OF INTEREST

The Chair advised members of the Committee that she would declare a non-financial conflict of interest in items containing discussion on City Care.

RECEIPT OF MINUTES

Resolved: (Cr Gibb/His Worship the Mayor)

THAT the minutes of a meeting of the Audit & Risk Committee held on Tuesday 27 September 2016 be received.

CARRIED on the voices

A&R1612/03

REPORTS

Procurement and Contract Management Review

Agenda Item 5.1

The report was taken as read. The General Manager Strategy & Support provided a brief overview on the report including support of the recommendations by the Executive Team. He acknowledged further work was required on the 'one up' approval process which has been committed to. It was noted that the project was in place to deliver the outcome on the electronic 'one up' approval purchase ordering system. The software will be more prescriptive to enable reporting on risk transactions. A pilot group has been set up to work through the process prior to the wider rollout by the end of the financial year.

The overall recommendations have been included into a procurement work programme which includes a 'simplification' project. Mr Sutton, representing KPMG, provided key highlights from their internal audit and answered questions from the Committee.

Key issues raised:

- Opportunity to consolidate suppliers
- The need to take a more strategic approach to procurement ie what you are trying to achieve with the spend.
- Contract Management documentation. Agreed that Council needs to improve this as a centralisation of reporting is not readily accessible to all.
- The need to tighten up the approved supplier process.

Members were happy with responses and timelines in the KPMG report.

KPMG suggested that once management work through the issues in the Procurement and Contract Management Review Draft Report a follow up review might be useful to ensure risks have been appropriately mitigated.

The Committee noted that a balance between a system which provided rigour and efficiency must be achieved.

Resolved: (Crs Gibb/Bech)

THAT the report from the Acting Chief Executive be received.

CARRIED on the voices

A&R1612/04/1

Waikato District Council Health and Safety Framework

Agenda Item 5.2

The report was taken as read and the Zero Harm Manager provided the following highlights:

- busy year for Council in terms of zero harm programme
- tertiary level of achievement in the Work Safety Management Programme with ACC
- compliance with the new H&S at Work Act 2015
- emerging culture within the organisation.

The General Manager Strategy & Support agreed that the safety framework is continuing to improve, including enhanced reporting through to the Executive Team. He confirmed the strategy is tested to ensure compliance with legislation.

The Zero Harm Manager advised that there is a programme for maintenance of assets that could cause a health and safety issue, eg chemical storage included in the Strategic Plan but there is an opportunity to have a much more structured programme.

The Chair requested to attend a site visit of a Council operation to gain an improved understanding of the nature of the operations and hazards and risks associated with Council operations.

The Committee were supportive of the progress made during the year.

Resolved: (Crs Main/Gibb)

THAT the report from the Chief Executive be received.

CARRIED on the voices

A&R1612/04/2

Zero Harm Update
Agenda Item 6.2

The report was taken as read and the Zero Harm Manager provided a brief overview of key items for noting.

Resolved: (Crs Main/Bech)

THAT the report from the Acting Chief Executive be received.

CARRIED on the voices

A&R1612/04/3

NZ Transport Agency Investment Audit 2016
Agenda Item 5.3

Tabled: NZ Transport Agency Investment Audit Report

The report was taken as read. The Roading Manager provided an overview and spoke on the tabled item.

The General Manager Strategy & Support agreed to review the audit report to see if any lessons could be learned to support the recommendations in the KPMG internal audit around contract management. The Roading Manager agreed to confirm the issues in the tabled report at the next Audit & Risk meeting.

Resolved: (Crs Main/Bech)

THAT the report of the General Manager Service Delivery be received.

CARRIED on the voices

A&R1612/04/4

Risk Management Framework Maturity Assessment
Agenda Item 5.4

The report was taken as read and the General Manager Strategy & Support confirmed that the Executive Team has received the report and has endorsed the recommendations. A key strategy to support moving forward was more regular reporting on progress to the Executive Team.

Mr Sutton advised that the level of risk maturity is consistent with other councils. The expectation is not for councils to be at the high level. The assessment is no criticism and is looking for re-energising of the framework. More effective governance can be achieved by managing the key risks (ie those risks that matter). It was suggested that Council look at the risk profile during the development of the LTP. It was agreed that small but meaningful changes will result in a more effective risk framework. Staff will consider the roadmap in the report and develop a work programme, an update of which will be regularly reviewed by the Committee.

The General Manager Strategy & Support advised that staff are managing risks every day. The objective now is to ensure they use the appropriate framework.

The Committee was comfortable with the road map and requested that staff work with KPMG to fast track some of the recommendations.

Resolved: (Crs Bech/Gibb)

THAT the report from the Acting Chief Executive be received

CARRIED on the voices

A&R1612/04/5

Internal Audit Programme
Agenda Item 5.5

The report was taken as read. Additional internal audit work carried out externally not included on list: conflicts of interest and the subsequent broader procurement management report. KPMG has also been asked to undertake an internal audit of the Raglan Kopua Camp.

The Chair noted that the focus should now be on reducing the outstanding audit recommendations from the previous internal audits, including the Audit New Zealand Audit Management report items.

The General Manager Strategy & Support agreed with the comments provided by the Chair and advised that in the early part of 2017 staff would formulate an internal audit programme based on the revised strategic risks recently updated by the Committee.

Resolved: (Crs Bech/Main)

THAT the report from the Acting Chief Executive be received;

AND THAT the Committee support focus on resolving existing audit recommendations rather than progressing additional internal audit activity at this stage;

AND FURTHER THAT an allocation of internal audit funding be used to progress the recommendations from the Risk Maturity Assessment;

AND FURTHER THAT the updated Strategic Risk Register be used to formulate a new list of internal audit activity.

CARRIED on the voices

A&R1612/04/6

The meeting was adjourned at 10.26am and resumed at 10.46am.

Project Management Audit Actions Update
Agenda Item 6.1

The report was taken as read. The Project Management Advisor provided a brief overview.

The General Manager Strategy & Support advised that simplification was a key theme of the audit. The establishment of the Project Management Forum is a key cross organisation team of leaders who have been mandated to implement outcomes defined in a terms of reference. This terms of reference has been signed off by the Executive Team and will deliver on the recommendations in the audit. This will ensure broad organisation support for the recommendations rather than being the responsibility of a Project Management Adviser.

Resolved: (Crs Gibb/Bech)

THAT the report from the Acting Chief Executive be received.

CARRIED on the voices

A&R1612/04/7

Post Project Reviews
Agenda Item 6.3

The report was taken as read. The Chief Information Officer provided a brief overview of the Crypto Virus report and noted the team is continually looking at business continuity practices. He considered the organisation is well protected. It was agreed that constant reinforcing to staff regarding the risks around emails is important.

It was agreed that subcontractor management from an IT security perspective was important in terms of protecting our network. The Chief Information Officer would review controls in place.

The Committee was pleased that staff had a process in place to learn from project/process outcomes and looked forward to further reviews in the future.

Resolved: (Crs Gibb/Bech)

THAT the report from the Acting Chief Executive be received.

CARRIED on the voices

A&R1612/04/8

Update on Progress Against Issues Raised in the Interim Management Report
Agenda Item 6.4

The report was taken as read. The Corporate Planner provided a brief overview and answered questions from the Committee.

Resolved: (His Worship the Mayor/Cr Gibb)

THAT the report from the Acting Chief Executive be received.

CARRIED on the voices

A&R1612/04/9

Strategic Risk Update
Agenda Item 6.5

The report was taken as read. The Corporate Planner advised that the Strategic Risk Register will be completed by the next Audit & Risk Committee meeting in March 2017.

As this had not been shared with the full Council it was agreed that following a workshop with the Committee, a report be provided to Council advising of work in progress. A further report was requested for the Audit & Risk Committee meeting in March.

Resolved: (Crs Gibb/Bech)

THAT the report from the Acting Chief Executive be received;

AND THAT the revised Strategic Risk Register be provided to Council for information.

CARRIED on the voices

A&R1612/04/10

ICT Security Risk Assessment Update
Agenda Item 6.6

The report was taken as read. The Chief Information Officer spoke of some key points;

- focussing on Information Strategy and Business Continuity planning
- Disaster recovery (Tuakau Office)
- Back up recovery testing.

The Chair raised the impact of disruptive technology. The General Manager Strategy & Support agreed this was relevant and important it was considered as part of future thinking.

The General Manager Service Delivery advised of progress on strategic plans around wastewater, transport, looking at where growth is at and where things are occurring. The team were exploring options to rationalise infrastructure around waters, parks and study on transport around facilities and infrastructure.

It was agreed that there is an additional opportunity and risk in the Waikato district coping with growth and putting a strain on the business. Forward thinking is required in this area, eg libraries and modern communities.

The Chair and Committee were keen to follow progress and close off some risks in this area.

Resolved: (Crs Gibb/Main)

THAT the report from the Acting Chief Executive be received.

CARRIED on the voices

A&R1612/04/11

Updated Future Workplan
Agenda Item 6.7

The Council Support Manager agreed to schedule dates for the Audit & Risk meetings for 2017.

Resolved: (Crs Bech/Gibb)

THAT the report from the Acting Chief Executive be received.

CARRIED on the voices

A&R1612/04/12

Update on Internal Audit and Quality Improvement
Agenda Item 6.8

The report was taken as read. The General Manager Customer Support shared some observations regarding the staff turnover level of 16%. The Executive Team is reviewing a more structured work programme in this area. It was agreed there was a need to understand the metrics better, to form a plan (early in the New Year) that is more intuitively dealing with the challenges rather than ad hoc responses. This is a strategic risk to the business and the Committee was keen to ensure it was being appropriately managed.

Resolved: (Crs Gibb/Bech)

THAT the report from the Acting Chief Executive be received.

CARRIED on the voices

A&R1612/04/13

EXCLUSION OF THE PUBLIC

Agenda Item 7

Resolved: (His Worship the Mayor/Cr Bech)

THAT the report of the Chief Executive be received;

AND THAT the public be excluded from the meeting during discussion on the following items of business:

- a. **Receipt of Minutes dated Tuesday 27 September 2016.**

REPORTS

- a. **Fraud Declaration**

This resolution is made in reliance on section 48(1)(a) and 48(2)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by sections 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part(s) of the proceedings of the meeting in public are as follows:

Reason for passing this resolution to Ground(s) under section 48(1) for the withhold exists under: passing of this resolution is:

Section 7(2)(f)(i)(h)(i)(j)

Section 48(1)(a)(d)

- b. **Register of Members' Interests Elected Members & Senior Staff**

This resolution is made in reliance on section 48(1)(a) and 48(2)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by sections 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part(s) of the proceedings of the meeting in public are as follows:

Reason for passing this resolution to Ground(s) under section 48(1) for the withhold exists under: passing of this resolution is:

Section 7(2)(f)(i) (h) (i) (j)

Section 48(1)(a)(d)

- c. **Cash-free Council Operations**

This resolution is made in reliance on section 48(1)(a) and 48(2)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by sections 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part(s) of the proceedings of the meeting in public are as follows:

Reason for passing this resolution to Ground(s) under section 48(1) for the withhold exists under: passing of this resolution is:

Section 7(2)(d)

Section 48(1)(d)

d. Committee Time with Audit New Zealand

This resolution is made in reliance on section 48(1)(a) and 48(2)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by sections 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part(s) of the proceedings of the meeting in public are as follows:

Reason for passing this resolution to Ground(s) under section 48(1) for the withhold exists under: passing of this resolution is:

Section 7(2)(f)(g)(h)(i)(j)

Section 48(1)(a)(d)

CARRIED on the voices

A&R1612/05

Resolutions A&R1612/06 – A&R1612/08 are contained in the public excluded section of these minutes.

There being no further business the meeting was declared closed at 12.05pm.

M Devlin

CHAIRPERSON

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