

**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 **THURSDAY 27 JUNE 2019** commencing at **9.00am**.

**Present:**

Cr JM Gibb (Chairperson)  
His Worship the Mayor Mr AM Sanson [*from 9:02am*]  
Cr AD Bech  
Cr BL Main  
Cr JD Sedgwick

**Attending:**

Mr GJ Ion (Chief Executive)  
Mr TG Whittaker (Chief Operating Officer)  
Mrs S O'Gorman (General Manager Customer Delivery)  
Mr R MacCulloch (Acting General Manager Service Delivery)  
Ms A Diaz (Chief Financial Officer)  
Mr K Abbot (Projects and Innovation Manager)  
Mr J Quinn (Communications, Engagement and Marketing Manager)  
Mr G Mason (Innovation Team Leader)  
Mrs K Jenkins (Risk Advisor)  
Mr C Bailey (Rates Team Leader)  
Mrs L Shirley (Zero Harm Manager)  
Ms S Quinn (Procurement Manager)  
Ms M Russo (Corporate Planning Team Leader)  
Mr B Stringer (Democracy Manager)

Mr L Pieterse (Director Audit New Zealand)

In Ms Devlin's absence, Councillor Gibb, as the Committee's Deputy Chairperson, was the Chairperson for the meeting.

**APOLOGIES AND LEAVE OF ABSENCE**

**Resolved: (Crs Main/Sedgwick)**

**THAT an apology be received from Ms M Devlin;**

**AND THAT an apology for lateness be received from His Worship the Mayor.**

**CARRIED on the voices**

**A&R1906/01**

## **CONFIRMATION OF STATUS OF AGENDA ITEMS**

**Resolved: (Crs Main/Sedgwick)**

**THAT the agenda for a meeting of the Audit & Risk Committee held on Thursday 27 June 2019 be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 6 which shall be discussed with the public excluded;**

**AND THAT all reports be received.**

**CARRIED on the voices**

**A&R1906/02**

## **DISCLOSURES OF INTEREST**

There were no disclosures of interest.

His Worship the Mayor joined the meeting (9:02am) after the above item.

## **CONFIRMATION OF MINUTES**

**Resolved: (Cr Bech/His Worship the Mayor)**

**THAT the minutes of a meeting of the Audit & Risk Committee held on Wednesday 13 March 2019 be confirmed as a true and correct record of that meeting.**

**CARRIED on the voices**

**A&R1906/03**

## **REPORTS**

### **Strategic Risk Register June 2019**

Agenda Item 5.1.1

The report was received [A&R1906/02 refers]. In speaking to the report, the Risk Advisor, supported by the Projects Innovation Manager, highlighted, and responded to questions on, the following points:

- The Business Resilience project was on hold until 2020.
- A further Critical Incident workshop was proposed in the near future.
- The recent issues with Council email access and availability would be considered as part of the digital roadmap project to limit the risk of future failure.
- Business improvement projects were considered for approval by the Portfolio Governance Group. Projects with a strategic impact would be considered under the Risk portfolio.

**ACTION:** Staff to include a risk heat map in future reports to the Committee.

### Risk Framework June 2019

#### Agenda Item 5.1.2

The report was received [A&R1906/02 refers]. In speaking to the report, the Risk Advisor highlighted the following point:

- A good response had been received on the internal risk survey. Feedback would be provided to staff shortly and recommendations presented to the Committee at its September 2019 meeting.

### Emerging Risks June 2019

#### Agenda Item 5.1.3

The report was received [A&R1906/02 refers]. In speaking to the report, the Risk Advisor, supported by the Chief Operating Officer, highlighted, and responded to questions on the following points:

- Earthquake prone buildings – sufficient public engagement had been undertaken. Council staff would continue to monitor; nothing further was required from a risk perspective. The Building team had information on the number of buildings in each category.  
A meeting with the Civil Defence team was planned to discuss their requirements.
- Climate change – a number of actions were underway with cross-organisational representation to co-ordinate an informed response for elected members to consider.

### Risk Conversations – Rates Team

#### Agenda Item 5.1.4

The report was received [A&R1906/02 refers]. In speaking to the report, the Rates Team Leader summarised the risks noted in the attachments to the report, and the actions staff were taking to mitigate those risks. In responding to questions, the following points were discussed:

- Internal Promapp processes were reviewed and updated by staff to ensure these were correct. Internal audit tests were undertaken and external workshops attended to benchmark against other councils. Mr Pieterse confirmed Audit NZ also reviewed Council's processes, particularly in relation to legal advice received on reviewing rates.
- Outstanding amounts owed in relation to water meter accounts and steps taken to recover debts.

## Stakeholder Engagement Strategic Risk Deep Dive

### Agenda Item 5.1.5

The report was received [A&R1906/02 refers]. In speaking to the report, the Communications, Marketing & Engagement Manager highlighted, and responded to questions, on the following points:

- Risk of poor elected member performance - there was a positive working relationship between staff and elected members. Systems and relationships were in place to deal with challenges as they arose.
- Consideration of the risks arising from poor stakeholder engagement in representation and democratic processes of the Council, initiatives that could be undertaken and who has responsibility for such risk. It was noted it was for elected members to consider succession planning for the representatives on the Council's governance bodies.

**ACTION:** Staff to consider including stakeholder engagement in representation/democratic as a risk in the Risk Registers.

*The meeting adjourned from 10:30am to 10:40am at the conclusion of the Item 5.1.5.*

## Internal Audit Proposals

### Agenda Item 5.2.1

The report was received [A&R1906/02 refers]. In speaking to the report, the Chief Financial Officer provided an overview of the report and timing of the upcoming reviews.

#### **Resolved: (Crs Sedgwick/Main)**

**THAT the Audit & Risk Committee agrees to the following programme of internal audit:**

- **2019 Health & Safety Governance review;**
- **2020 Resource Consenting Revenue Process review; and**
- **2020 Rates Processes review.**

#### **CARRIED on the voices**

**A&R1906/04**

## Interim Audit Report from Audit New Zealand

### Agenda Item 5.2.2

The report was received [A&R1906/02 refers]. In speaking to the report, Mr Pieterse from Audit New Zealand, highlighted the following points:

- Statement of service performance (Annual Report) – an issue had been highlighted which, if not rectified, would result in a qualified opinion from Audit NZ. Council staff were addressing this.

- Audit NZ continued to have positive, robust discussions with Council staff.

The Chief Operating Officer and Chief Financial Officer responded to questions on the following points:

- Ms Devlin, the Committee Chairperson, had noted her expectation that the Council would continue to resolve outstanding internal audit issues.
- The digital roadmap project was underway to address the IT issues and challenges referred to in the report.
- Audit reports enabled Finance staff to keep track of staff who self-approved purchase orders. A review of the access to, and authority levels for, purchase orders would be investigated in 2020 in light of the number of new staff who had recently joined.
- Business continuity and IT disaster recovery planning – the IT disaster recovery site was successfully working. Business continuity was an outstanding issue.

#### Waikato District Council Zero Harm Safety Management System

##### Agenda Item 5.3.1

The report was received [A&R1906/02 refers]. In speaking to the report, the Zero Harm Manager highlighted, and responded to questions on, the following point:

- People leaders were required to complete at least two safety engagement conversations with their team members each month; the purpose being to discuss health, safety and wellbeing issues. Zero Harm were reviewing the level of detail when reporting on these conversations. A snapshot was reported to the Executive Leadership Team weekly, which reflected the importance of these conversations.

#### Annual Report Risk Assessment

##### Agenda Item 5.3.2

The report was received [A&R1906/02 refers]. In speaking to the report, the Chief Financial Officer highlighted, and responded to questions on, the following points:

- Property, plant & equipment - changes were expected in the three waters infrastructure asset valuations, given the work undertaken for the Watercare Services contract negotiations. The valuation amount would be shared with the Council's auditors, once known. Mr Pieterse noted Audit NZ was not expecting this to be a significant issue for the purpose of the Annual Report.
- Land valuation was undertaken separately, and there was no requirement to undertake a revaluation of Council-owned land for the purpose of the Annual Report.
- Update on the staffing of the Finance team – it was expected there would be less need to rely on casual contractors.

## Procurement and Contract Management Framework Review

### Agenda Item 5.3.3

The report was received [A&R/1906/02 refers]. In speaking to the report, the Chief Financial Officer highlighted the following points:

- The new contract relationship management team were in place to work with the Procurement Manager.
- A preliminary gap analysis had been undertaken to assist in collating a roadmap for the roles and responsibilities of relevant staff.

## Procurement Manager Report

### Agenda Item 5.3.4

The report was received [A&R/1906/02 refers]. In speaking to the report, the Procurement Manager, supported by the Acting General Manager Service Delivery, highlighted, and responded to questions on, the following points:

- New procurement rules from central government which would come into effect on 1 October 2019; while they are not mandatory, it was expected that the Council would align with these rules. Guidance documentation and e-learning tools from MBIE would be circulated to relevant staff.
- A range of resources were available to assist procurement staff, including sector guidance from the Officer of the Auditor-General and shared learnings from Waikato local authority procurement officers.
- The Council's Procurement Policy would be reviewed to provide broader outcomes and deliver more effective use of Council funds. It was important to ascertain how 'best practice' could be practically implemented to reflect the Council's business and objectives.

## Update on Process Audit and Quality Improvement

### Agenda Item 5.3.5

The report was received [A&R/1906/02 refers]. The Innovation and Risk Team Leader, supported by the Corporate Planning Team Leader and Projects and Innovations Manager, highlighted the following points:

- Review of continuous improvement processes had commenced.
- Council had a register of approximately 200 internal and external policies; best practice was that policies were reviewed every three years. Revocation of redundant policies was considered as part of the review process.
- Audit Schedule (pages 248-249 of the Agenda) – captured the audits recently undertaken. Audits with completed actions would eventually be removed from the schedule.

### Project Closure Report; GIS & Project Management Integration (Phase 1)

#### Agenda Item 5.3.6

The report was received [A&R/906/02 refers]. In speaking to the report, the Risk Advisor highlighted, and responded to questions on, the following points:

- The reasons why the project was closed.
- Engagement of the GIS team across the organisation.
- Succession planning to ensure the organisation retained staff to undertake required activities.

### Update on Progress against Audit Issues – June 2019

#### Agenda Item 5.3.2

The report was received [A&R/906/02 refers]. In speaking to the report, the Corporate Planning Team Leader confirmed three issues had been completed in the last quarter. The five remaining issues were expected to be completed by the end of 2019.

### Office of the Auditor-General Draft Annual Plan 2019/20

#### Agenda Item 5.3.8

The report was received [A&R/906/02 refers]. The Chief Financial Officer provided a brief overview. Mr Pieterse highlighted the following points:

- Procurement remained a key issue for the OAG; Waikato District Council was in a good position relative to other councils.
- A database was being built to host ‘what good looks like’ on a national basis; Mr Pieterse had submitted the operation of the Audit & Risk Committee as an example of good practice.

### Updated Future Work Plan and Action List

#### Agenda Item 5.3.9

The report was received [A&R/906/02 refers] and there was no discussion on this item.

## **EXCLUSION OF THE PUBLIC**

Agenda Item 6

**Resolved: (His Worship the Mayor/Cr Bech)**

**THAT the report from the Chief Executive be received;**

**AND THAT the public be excluded from the meeting to enable the Audit & Risk Committee to deliberate and make decisions on the following items of business:**

**Confirmation of Minutes dated Wednesday 13 March 2019**

### **REPORTS**

- a. **Register of Members' Interests – Elected Members, Staff and External Members**

**The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:**

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

**Section 7(2)(a)**

**Section 48(1)(a)(i)**

- b. **Fraud Declaration**

**The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:**

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

**Section 7(2)(a)**

**Section 48(1)(a)(i)**

**c. Committee Time with Audit New Zealand**

**The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:**

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

**Section 7(2)(b)(iii), (c), (j)**

**Section 48(1)(a)(i)**

**AND FURTHER THAT Mr Pieterse (Audit New Zealand) remain in the meeting after the public has been excluded to facilitate and assist the Board in the discussion on items in PEX 6 [Exclusion of the Public] in the public excluded section of the meeting.**

**CARRIED on the voices**

**A&R1906/05**

*Resolutions A&R1906/06 – A&R1906/07 are contained in the public excluded section of these minutes.*

Having resumed open meeting and there being no further business the meeting was declared closed at 12:00pm.

Minutes approved and confirmed this

day of September 2019.

Margaret Devlin  
**CHAIRPERSON**