
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 **WEDNESDAY 18 SEPTEMBER 2019** commencing at **1.00pm**.

Present:

Ms M Devlin (Chairperson)
His Worship the Mayor Mr AM Sanson [until 2.56pm and from 3.11pm]
Cr AD Bech
Cr JM Gibb

Attending:

Mr GJ Ion (Chief Executive)
Mr TG Whittaker (Chief Operating Officer)
Ms A Diaz (Chief Financial Officer)
Mr K Abbott (Projects and Innovation Manager)
Mrs K Jenkins (Risk Advisor)
Mr G Oudes (Team Leader – Information Management)
Mr G Mason (Innovation & Risk Team Leader)
Mr R Turner (Customer Experience Manager)
Ms E Saunders (Customer Delivery (Ngaruawahia) Team Leader)
Mr N Johnston (Funding Partnership Manager)
Ms S Solomon (Corporate Planner)
Mrs L Shirley (Zero Harm Manager)
Mr G Bellamy (Safety Engineer - Roading)
Mrs RJ Gray (Senior Committee Secretary)

Mr L Pieterse (Director Audit New Zealand)

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (His Worship the Mayor/Cr Bech)

THAT an apology be received from Cr Main and Cr Sedgwick.

CARRIED on the voices

A&R1909/01

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (His Worship the Mayor/Cr Bech)

THAT the agenda for a meeting of the Audit & Risk Committee held on Wednesday 18 September 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&R1909/02

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 and advised she would leave the room should discussion be held on these items. It was also noted that there were no decisions required in respect of Watercare nor of Waikato Regional Airport.

CONFIRMATION OF MINUTES

Resolved: (Crs Bech/Gibb)

THAT the minutes of a meeting of the Audit & Risk Committee held on Thursday 27 June 2019 be confirmed as a true and correct record of that meeting.

CARRIED on the voices

A&R1909/03

REPORTS

Strategic Risk Register September 2019

Agenda Item 5.1.1

The report was received [*A&R1909/02 refers*] and was taken as read. In speaking to the report the Risk Advisor highlighted the following points:

- A workshop had been scheduled to follow up on issues raised at the June meeting regarding stakeholder engagement.
- Agreement to liaise with the Communications, Engagement and Marketing Manager regarding the finer detail of local authority election information to ensure it would be captured in the Engagement Strategy. This could be a limited risk but had been considered at a national level.
- Discussion also held on youth representatives on Community Boards and the role of the new Youth Engagement Advisor.

- Discussion was held on elections and the challenge of online voting being a form of engagement that may assist with more interest in voting.

ACTION: To continue the discussion as part of the overall stakeholder engagement workshop following the local authority elections, and to review examples of best practice from other Councils.

- The Risk Advisor agreed to liaise with the Executive Leadership Team regarding having the Water Services Delivery Model risk removed from the register following the signing of the contract with Watercare. The focus should now be on reviewing whether the risk was strategic or reputational, which would be discussed with the ELT to ensure it was doing what was required. The Waters Governance Board was aware of this and had considered a 'break-down' of the risks.

ACTION: The Risk Advisor to discuss Water Services risks with the Executive Leadership Team.

- Business continuity planning would commence in January 2020 and a report would be provided to the committee following this.
- The Team Leader – Information Management advised that education had been provide to the staff on Cyber Awareness with the introduction of content on the Waisite.

Risk Framework September 2019

Agenda Item 5.1.2

The report was received [A&R/909/02 refers] and was taken as read. In speaking to the report the Risk Advisor highlighted the following points and answered questions from the members:

- There had been an increase in engagement but it was still on the reactive side.
- Risk conversations from deep dive had been beneficial.
- The Regional Forum would now include Bay of Plenty and Auckland joining the forum to assist the Council progress the framework and best practice.
- Would have preferred the risk framework process to have been a faster process, but progress was being made with value from the quality of conversations being held. It was agreed that this was a journey and was progressing in the right direction.
- It was noted that this was an organisation-wide process and needed to be communicated and driven from the top.

ACTION: The recommendation report would be included in the next agenda for the Audit & Risk Committee.

The report was received [A&R/909/02 refers] and was taken as read. In speaking to the report, the Risk Advisor highlighted the following points:

- Solid Waste project - involved in workshops and challenges being discussed at a national level. The organisation needed to know how to deliver services, especially for the customer services team.
- An in-depth risk assessment had been carried out and the section 17A service review was looking at all dimensions.
- Risk appetite should be appropriately represented within a project. Elected members needed to be aware of deadlines so that they had good involvement in processes.

ACTION: The Chief Financial Officer agreed to provide a report to the December Committee meeting on exploring the new integrated reporting style that included the six capitals.

- Reputational risk with the Cherry Blossom Festival – an update had been received for the late consent request. Staff addressed the traffic management plan that was received and it was now required to go out for consultation. This was a limited notification.
- Port Waikato Erosion – satisfied with the current mitigations and what had been done. Staff had been proactive in this area. A community meeting was scheduled on Saturday 28 September 2019, which would include Waikato Regional Council staff. Engagement had taken place with the community since 2016.
- Climate Change (resilience). A staff expert would be asked to assist in the writing of a report to address the relevant points including recommendations from a legislative perspective. A 'stocktake' would be taken and then a work programme identified. Discussion on ensuring risks were being documented in the correct categories and the requirement of a Climate Change Response Strategy. Discussion was also held on inclusion of climate change in the LTP and business practices.

ACTION: Staff were requested to draft a strategy that was tightly scoped, had a wider stakeholder engagement to address actions, and legislation eg zero carbon. The Chief Operating Officer agreed to provide a timeline by the end of September 2019 and a report for the Committee's meeting in December 2019.

- Sustainable Development Goals - climate change would be included in the approach (No 13) and the Youth Engagement Advisor had completed work in this area.

Risk Conversations – Customer Delivery Team

Agenda Item 5.1.4

The report was received [A&R/909/02 refers] and was taken as read. In speaking to the report, the Customer Delivery (Ngaruawahia) Team Leader highlighted the following points:

- Wellbeing of staff – agreed staff were confident in their role and they provided empathy to customers. No staff member was left alone in the office.
- The challenge to the team was noted in RCB-014 with incorrect information/service delivered when the team was not informed correctly or in a timely manner due to inconsistency in information and data storage. A request was made for staff to ensure up-to-date knowledge was kept at the forefront. It was agreed the processes in the Knowledge Tree worked well. The risk was with getting the right people and the right information quickly. A number of processes were underway in the Road Map.

Funding Partnerships – Deep Dive Report
Agenda Item 5.2.1

The report was received [A&R/909/02 refers] and was taken as read. In speaking to the report, the Funding and Partnership Manager highlighted the following points:

- Other aspects of partnership arrangements were contained in a subsequent report.
- Background information was currently being reviewed by Philanthropy NZ to ensure the Committee was receiving the most accurate information of the sector.
- Community aspirations captured through the Blueprint process were not funded. Council needed to support communities through external funding.
- Forms of gambling other than gaming machines, according to MOH statistics, were generally relatively benign.
- Opportunity for Council to be aware of reputational risks when applying for funding in Class 4 sources and make the assessment before a risk occurred. Discussion on the reputational risk when Council considered making applications to organisations that distribute the Class 4 funds.
- It was agreed that no recommendation would be resolved by this Committee, but there was support that a discussion needed to be held with all elected members around the Council's risk appetite. A funding strategy needed to be clear with an understanding of the consequences of the framework being put in place.

ACTION: A report would be provided to the Policy & Regulatory Committee, or other appropriate Committee, after the local authority elections.

Waikato District Council Zero Harm Safety Management System
Agenda Item 5.3.1

The report was received [A&R/909/02 refers] and was taken as read. In speaking to the report, the Zero Harm Manager highlighted the following points:

- Consultation had been undertaken with the Communications Team for providing information to staff on the measles epidemic and the availability of free vaccines at various clinics.
- Management of the risk with work and responsibilities/supervision of volunteers was considered a significant challenge to Council.

ACTION: That the procedure included controls and desired outcomes to ensure volunteers' behaviour on sites comply with the Council's health and safety standards.

- A site visit to the Water Treatment Station had been undertaken prior to the meeting and was appreciated by the members. A checklist was being developed for site visits.

Update on Process Audit and Quality Improvement
Agenda Item 5.3.2

The report was received [A&R/909/02 refers] and was taken as read. In speaking to the report, the Innovation & Risk Team Leader highlighted the following points:

- Audit training went well.
- The results of dog registrations would be brought forward.
- A recent discussion was held with the Chief Financial Officer on organisational processes.
- Policy work was published with help from the People & Capability Team.
- A number of policies had been presented to the Policy & Regulatory Committee in September 2019.

ACTION: Staff to highlight information reflecting significant non-conformance in future reports.

Dog Registration Reminder Notice Incident

Agenda Item 5.3.3

The report was received [A&R/909/02 refers] and was taken as read. The Customer Experience Manager highlighted the following points:

- Discussions around quality assurance reporting and the outcome was to review the associated processes.
- A meeting had been held for the medium-term action plan and key processes had been moved forward regarding mail merges, data cleansing and ensuring awareness across the organisation.
- Concern with library cards database. Noted the number of people that were on the database who had left the district. Call centre staff endeavour to update databases following calls from customers. The Team Leader – Information Management advised that there was an information technology project underway to collect data. It was noted that automation was needed as much as possible.

ACTION: Request for the Action Sheet to be updated for the December 2019 Committee meeting to reflect this item.

Progress Against Audit Issues – September 2019 Update
Agenda Item 5.3.4

The report was received [A&R/909/02 refers] and was taken as read. The Corporate Planner highlighted the following points:

- The KPMG review on procurement and contract management was scheduled to be completed in September 2019. Since writing the report, work had progressed with the Contracts and Partnering team working with individual business units to complete a health check, updating and ensuring contracts were current, legislatively compliant, delivering what was required and developing a means to measure the performance of contracts.

His Worship the Mayor withdrew from the meeting at 2.56pm during discussion on the above item.

Procurement Report
Agenda Item 5.3.5

The report was received [A&R/909/02 refers] and was taken as read. The Chief Financial Officer highlighted the following points:

- A contract project system was underway.
- The Professional Services Panel contract was an intensive piece of work with Waikato LASS to provide benefit to the wider region and had taken a large resource away from partnering councils. A process around exceptions discipline had been completed. This would be tied in with the electronic purchasing system for reporting.
- A new MBIE graduate had been employed to assist until February 2020.

Insurance Renewal Process 2019

Agenda Item 5.3.6

The report was received [A&R/909/02 refers] and was taken as read. In speaking to the report, the Chief Financial Officer highlighted the following points:

- Identified a \$43M movement in terms of material damage declared values.
- Better advice had been received from the brokers for populating information with realistic values eg inflationary provision.
- Concern with insurance becoming more specific and expensive. Discussion on vehicles, bridges, natural disasters, halls (excluding the contents of the halls). Some work had been identified for the insurance risk strategy.

ACTION: Insurance Risk Strategy report to be presented in December 2020.

His Worship the Mayor re-entered the meeting at 3.11pm during discussion on the above item.

Draft 2018/19 Annual Report

Agenda Item 5.3.7

The report was received [A&R/909/02 refers] and was taken as read. In speaking to the report, the Corporate Planner provided a summary and key points were noted from discussion as follows:

- Members were comfortable with the draft report.
- Members acknowledged that the report needed to include climate resilience.
- It was noted that the Waikato Tainui representative referred to in the Summary was a Council appointee to an independent body and it was suggested that this sentence was removed from the Summary.

ACTION: The Executive Leadership Team to review the significant out-performance (value for money/over delivering).

- A set of draft financial statements would be available for the final audit with Audit New Zealand.
- A large movement in asset right-offs were not budgeted for.
- The management report last year identified an issue with leases, and this was expected to be cleared in 2020.
- The Director, Audit New Zealand, advised that qualifications around the building consents had been cleared for Waikato District Council.
- The 2018/19 year-end accounts were tracking well for the audit.

ACTION: The Chief Financial Officer to circulate the updated risk assessment in the Annual Report to the members.

Audit & Risk Committee Key Achievements

Agenda Item 5.3.8

The report was received [A&R/909/02 refers] and was taken as read. It was agreed the achievements would be presented to Council.

New Zealand Transport Agency Investment Audit Report
Agenda Item 5.3.9

The report was received [A&R/909/02 refers] and was taken as read. In speaking to the report, the Contracts and Partnering Manager highlighted the following points:

- Council was awaiting feedback from NZTA.
- RoadRoid software that would be helpful in monitoring the condition of unsealed roads was currently being reviewed.

ACTION: Updated report required in December 2019 on the acceptance of feedback from NZTA and the risk of any consequences therein.

Updated Future Work Plan and Action List

Agenda Item 5.3.10

The report was received [A&R/909/02 refers] and was taken as read. The Committee expressed thanks to Mr Pieterse noting this would be the last meeting he would attend. The Chair and His Worship the Mayor thanked Mr Pieterse for working through a series of audits over six years, the appreciation of the pragmatic approach taken to help improve processes and the new dimension he brought.

The Chair also expressed her thanks to the Chief Financial Officer and her team for work on the audit towards an unmodified opinion.

EXCLUSION OF THE PUBLIC

Agenda Item 6

Resolved: (Crs Bech/Gibb)

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:

a. **Confirmation of Minutes dated 27 June 2019**

REPORTS

a) **Fraud and Corruption Risk Management Update**

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 the withhold exists under: passing of this resolution is:

Section 7(2)(a),(c)(ii)

Section 48(1)(a)

a) **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 the withhold exists under: passing of this resolution is:

Section 7(2)(a)

Section 48(1)(a)

b. **Register of Members' Interest – 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 the withhold exists under: passing of this resolution is:

Section 7(2)(a)

Section 48(1)(a)

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 the withhold exists under: passing of this resolution is:

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

Section 48(1)(a)

AND FURTHER THAT Ms Devlin (Chair), and Mr Pieterse (Director Audit New Zealand) remain in the meeting after the public has been excluded to chair/facilitate the discussion on items in PEX 7 [Public excluded items] in the public excluded section of the meeting.

CARRIED on the voices

A&R1909/04

Resolutions A&R1909/05 – A&R1909/06 are contained in the public excluded section of these minutes.

Having resumed the open meeting and there being no further business, the meeting was declared closed at 4.14pm.

Due to the 2019 local authority elections, the Chair and the Chief Executive Mr GJ Ion, signed the 'end of term' September 2019 Audit & Risk Committee Minutes, in accordance with Standing Order 27.4.

.....
M Devlin
CHAIRPERSON

.....
GJ Ion
CHIEF EXECUTIVE

MINUTES for the public excluded section of the meeting of the Audit & Risk Committee held on **WEDNESDAY 18 SEPTEMBER 2019.**

Present:

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

Attending:

Mr GJ Ion (Chief Executive)
Mr TG Whittaker (Chief Operating Officer)
Ms A Diaz (Chief Financial Officer)
Mrs C Pidduck (Legal Counsel)
Mrs RJ Gray (Senior Committee Secretary)

Mr L Pieterse (Director Audit New Zealand)

APOLOGIES AND LEAVE OF ABSENCE

The apologies from Councillors Main and Sedgwick were received in the Open Meeting.

CONFIRMATION OF PUBLIC EXCLUDED MINUTES

Resolved: (Crs Gibb/Bech)

THAT the Public Excluded minutes of a meeting of the Audit & Risk Committee held on Thursday 27 June 2019 be confirmed as a true and correct record of that meeting and remain confidential and unavailable to the public.

CARRIED on the voices

A&R1909/05

REPORTS

Fraud and Corruption Risk Management Update
Agenda Item PEX 2.1

The report was received [A&R1909/02 refers] and was taken as read. In speaking to the report, the Chief Financial Officer highlighted the following points and answered questions of the members:

- The report this year was more succinct than in previous years.
- Work on the conflict of interest declaration was ongoing.
- Fraud and corruption risk impact on revenue was scheduled for the next calendar year, eg fuel and credit cards.
- Concern was expressed with processes in place, eg protected disclosure.
- The Legal Counsel clarified that mediation had been carried out with a staff member with immediate resignation, repayment of loss on settlement and a record of settlement.
- Staff were to ensure that kilometres were recorded at the time of purchase of fuel. Fraud suspected cases were advised by Audit New Zealand to the Office of the Auditor General.
- It was noted the importance of an induction for newly elected members to become aware of the Conflict of Interest Policy.

Fraud Declaration
Agenda Item PEX 2.2

The Chief Operations Officer advised there had been no issues to date.

Register of Members' Interests – Elected Members, Staff and External Members
Agenda Item PEX 2.3

The report was received [A&R/909/02 refers] and was taken as read.

Committee Time with Audit New Zealand
Agenda Item PEX 2.4

The Director, Audit New Zealand, advised the following:

- That there was no issue with the audit and the organisation's improvement over the last six years was tremendous.
- The relationship between the Council and Audit NZ was very good, with robust discussions. Communication was open and honest.
- He would advise His Worship when the audit had been completed.

RESUMPTION OF OPEN MEETING

Resolved: (Crs Gibb/Bech)

THAT the open meeting be resumed.

CARRIED on the voices

A&R1909/06