

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 2 DECEMBER 2019** commencing at **1.05pm**.

Present:

Ms M Devlin (Chairperson)
His Worship the Mayor Mr AM Sanson [*from 1:09pm to 2:55pm*]
Cr JA Church
Cr JM Gibb
Cr JD Sedgwick

Attending:

Mr GJ Ion (Chief Executive)
Mr TG Whittaker (Chief Operating Officer)
Mrs S O’Gorman (General Manager Customer Support)
Ms A Diaz (Chief Financial Officer)
Mr R MacCulloch (Acting General Manager Service Delivery)
Mr K Abbott (Projects & Innovation Manager)
Mrs K Jenkins (Risk Advisor)
Ms K Newell (Local CDEM Co-ordinator)
Mr G Mason (Innovation Team Leader)
Mrs L Shirley (Zero Harm Manager)
Ms K Anderson (Zero Harm Adviser)
Mr J Ebenhoh (Planning and Policy Manager)
Mr R Turner (Customer Experience Manager)
Ms S Solomon (Corporate Planner)
Mr P Ellis (Solid Waste Team Leader)
Ms P Cronin (Waste Minimisation Officer)
Mr B Stringer (Democracy Manager)

Ms M Proctor (Audit Manager, Audit New Zealand)
Mr D Sutton (KPMG) – Agenda Item 4.2.1 only (by conference call)
Ms J Lumsden (KPMG) - Agenda Item 4.2.1 only (by conference call)
Ms G Wyborn (KPMG) - Agenda Item 4.2.1 only (by conference call)

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Crs Sedgwick/Gibb)

THAT an apology be received from Cr Bech.

CARRIED

A&R1912/01

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Ms Devlin/Cr Gibb)

THAT the agenda for a meeting of the **Audit & Risk Committee** held on **Monday 2 December 2019** be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 5 which shall be discussed with the public excluded;

AND THAT all reports be received;

AND FURTHER THAT in accordance with **Standing Order 9.4** the order of business be changed with agenda item 4.1.6 (*Strategic Risk Deep Dive – Business Resilience*) being considered the first item and that other items be considered as appropriate during the course of the meeting.

CARRIED

A&R1912/02

DISCLOSURES OF INTEREST

The Chair, Ms Devlin, advised members of the Committee that there were references to Watercare Services Ltd in reports in the agenda. She declared an interest as a Director of Watercare. It was also noted that there were no decisions required in respect of Watercare.

There were no other disclosures of interest.

REPORTS

Agenda Item 4.1.6 was considered first [ref A&R1912/02]

Strategic Risk Deep Dive – Business Resilience
Agenda Item 4.1.6

The report was received [ref A&R1912/02] and taken as read. The Risk Advisor introduced the report and, with the support from the Projects & Innovation Manager and Local CDEM Co-ordinator, responded to questions on the following matters:

- Project risks/failures were documented during the project process and, if eventuated, were captured in the project or operational risk registers.
- As part of an internal education campaign, staff would be advised to apply a ‘risk lens’ to all business activities as part of business resilience.
- A business continuity plan project was due to commence in the new year, with a report back to the Committee by mid-2020.

The Committee were supportive of the recommendations detailed in the staff report (page 65, Open Agenda).

His Worship the Mayor joined the meeting during discussion on the above item (1:09pm).

Strategic Risk Register December 2019

Agenda Item 4.1.1

The report was received [ref A&R1912/02] and taken as read. The Risk Advisor, supported by the Chief Executive and Chief Operating Officer, highlighted, and responded to questions on, the following points:

- Strategic gap analysis exercise undertaken in September 2019. Six risks were identified as currently falling outside the organisation's risk appetite; two of which still had work to be undertaken:
 - Zero Harm - Management of contractors' health and safety requirements;
 - Cyber Security – A report would be presented to the Committee in March 2020.
- The Risk Advisor would have preferred more progress across the organisation over the last 12 months, though noted the organisation was on track. A lot of work had been done on risk, including for the risks that fell outside the organisation's risk appetite.
- Zero Harm (R0184)
 - it was expected the organisation would be compliant with legislative requirements following implementation of actions arising from the KPMG audit, which was being dealt with as a priority.
 - risks and mitigations in relation to non-compliant subcontractors were discussed, acknowledging that there was currently a gap that staff were addressing. Staff were having conversations with contractors to assist them to meet their health & safety requirements.

Staff would present an update to the Committee at its meeting in March 2020, on progress made towards closing the gap to meet the organisation's risk appetite.

Risk Framework December 2019

Agenda Item 4.1.2

The report was received [ref A&R1912/02]. The Risk Advisor, supported by the Chief Operating Officer and Chief Financial Officer, highlighted, and responded to questions on, the following points:

- No significant changes or updates; the challenge was to encourage the organisation to adopt desired behaviours in relation to 'risks and opportunities'.
- Executive Leadership Team to ensure that reports to elected members adequately address risk, identifying both positive and adverse effects, and to share learnings from other organisations.

Recent examples by the Council taking risks were discussed. It was suggested that elected members should support staff to encourage risk within the organisation's appetite.

Emerging Risks December 2019 Agenda Item 4.1.3

The report was received [ref A&R/19/2/02] and taken as read. The Risk Advisor summarised the report and highlighted, and responded to questions on, the following points:

- Work was still required to connect 'risk conversations' between the Executive Leadership Team and other tiers of management.
 - Risk would be a standing item at Team Talks and Chamber Chats. It was also part of the change management process initiated as part of Gearing for Growth and Greatness.
 - Risk should be considered as part of staff induction and exit processes (e.g. to avoid loss of information when a person leaves).
 - A significant number of risk assessments were undertaken as part of the organisation's business, the scope of which depended on the significance of each project.
- Work undertaken in relation to growth issues arising from the Urban Development Authority.

The Committee requested that the Climate Change risk should be amended to refer to Climate Resilience.

Insurance Risk Strategy Update Agenda Item 4.1.4

The report was received [ref A&R/19/2/02] and taken as read. The Chief Financial Officer summarised the report and advised that an update would be presented to the Committee at its March 2020 meeting.

Risk Conversations – Solid Waste Team Agenda Item 4.1.5

The report was received [ref A&R/19/2/02]. The Solid Waste Team Leader, supported by the Acting General Manager Service Delivery and Waste Minimisation Officer, highlighted, and responded to questions on, the following points:

- There was a high level of understanding of risk within the Solid Waste Team; work was ongoing with the Risk Advisor.
- Health and safety risks with contractors remained a 'work in progress':
 - a Zero Harm audit was due to be undertaken in mid-December 2019.
 - there was often a lack of understanding and resource for contractors to address health and safety obligations. Improvements in relationship with contractors assisted this work.
 - the Committee expected staff to set clear expectations for contractors in relation to compliance with health & safety obligations; non-compliance was not an option.

- periodic assessments were undertaken in relation to subcontractors, with required improvements recorded with the relevant contractor.
- contracts should be framed as a 'partnership' to facilitate increased compliance.
- Solid Waste Review would consider internal stakeholder communication and record-keeping to address the risk recorded as 'Extreme' in the Solid Waste Team Risk Register (Operational).

KPMG Health & Safety Governance Review
Agenda Item 4.2.1

The report was received [ref A&R1912/02].

The Chairperson welcomed Mr Sutton, Ms Lumsden and Ms Wyborn, from KPMG who joined the meeting via conference call. In speaking to the KPMG audit report, the KPMG representatives noted, and responded to questions on, the following points:

- The scope of the audit and rationale for items falling outside of the scope.
- Confirmation that the classification as 'Developing' was common.
- The work the Council had already undertaken in relation to health & safety was acknowledged, and that the Council was well-placed in comparison to other territorial authorities. KPMG representatives were not aware of any exemplar in the local government sector for the Council to consider.
- Three areas where further improvement was required – Resources, Compliance and Verification. It was suggested that the actions in relation to Resources should be addressed first in order to drive other required changes. Work was underway in this space.
- Elected members should receive training as part of their induction after elections; a refresher within the 3-year term would also be useful.
- The audit was KPMG's independent assessment, and it was not directed by the Council's management.

The Chief Operating Officer noted that the Executive Leadership Team was broadly supportive of the recommendations in the KPMG report. The Zero Harm Manager was collating a comprehensive response, which the ELT would consider to determine options and prioritisation of actions before reporting to the Committee in March 2020.

Resolved: (Crs Gibb/Church)

THAT the Audit & Risk Committee support the actions to address the KPMG audit recommendations.

CARRIED

A&R1912/03

The Mayor retired from the meeting at 2:55pm

The meeting adjourned from 2:55pm to 3:00pm.

Waikato District Council Zero Harm Safety Management System Update Agenda Item 4.3.1

The report was received [ref A&R1912/02] and taken as read. The Zero Harm Manager highlighted, and responded to questions on, the following points:

- Work was still progressing in relation to contractor management; a number of inroads had been achieved.
- Consultation, cooperation and coordination – example of work undertaken with Belgravia in relation to swimming pools.
- Zero Harm Policy was nearly completed.
- The Committee provided feedback on the proposed Zero Harm Commitment attached to the staff report:
 - Expand the bullet point commencing ‘Foster an environment of collaboration...’ to include all stakeholders.
 - Wellbeing should be included as part of delivery on the commitment.
 - Acknowledge culture to empower staff to stop actions that are not safe, without repercussions. Practical options were being considered by staff in this regard.
- Zero Harm was the aspirational goal to drive a culture of reporting and challenging unsafe behaviour and actions.

Integrated Reporting Framework Agenda Item 4.3.2

The report was received [ref A&R1912/02] and taken as read. The Chief Financial Officer summarised the report and responded to questions on, the following points:

- Compliance with legislative obligations in relation to financial reporting – Audit NZ was in the early stages of considering integrated reporting and supported the approach in principle.
- Staff would connect with other organisations considering or undertaking integrated reporting.

Climate Change Response Agenda Item 4.3.3

The report was received [ref A&R1912/02] and taken as read. The Planning and Policy Manager spoke to the report, and noted that staff had already commenced work in this area.

The Chairperson referred to earlier comments for staff to report on the organisation’s climate resilience rather than ‘climate change’.

Update on Process Audit and Quality Improvement
Agenda Item 4.3.4

The report was received [ref A&R1912/02] and taken as read. The Innovation Team Leader summarised the non-conformances detailed in the staff report and highlighted that the internal audit for Animal Control processes had been brought forward.

ACTION: Staff to provide firmer responses under the 'Recommendations and Actions' column in the Summary of Non-Conformances table in future reports.

The General Manager Customer Support spoke to centralisation of data management.

Progress Against Audit Issues – December 2019 Update
Agenda Item 4.3.5

The report was received [ref A&R1912/02] and taken as read. The Corporate Planner introduced the report.

The Chief Operating Officer explained that the difference between the Audit NZ management report and the staff report in relation to outstanding audit issues were due to timing on recording of closure of items. Staff would clarify this in future reports.

Privacy Breach Update
Agenda Item 4.3.6

The report was received [ref A&R1912/02] and taken as read. In speaking to the report, the Customer Experience Manager summarised the report and the work to be undertaken by the Animal Control Team by March 2020. Quality assurances would form part of this work.

ACTION: Management to remind staff not to use individual customer databases.

Insurance Renewal 2019
Agenda Item 4.3.7

The Chief Financial Officer summarised the report and highlighted the following points:

- The financial effect of Hamilton City Council's decision to withdraw from primary layer cover.
- Increased excess to professional indemnity cover due to Bella Vista incident.
- Scope of cover tightened in relation to non-conforming building materials.

Self-insurance as an option for smaller incidents/risks was discussed.

Final Management Report for the Year Ended 30 June 2019
Agenda Item 4.3.8

The report was received [ref A&R1912/02]. The Chief Financial Officer highlighted, and responded to questions on, the following points:

- Changes in the Finance Team and Audit NZ's methodology brought challenges and learnings for both organisations.
- Audit NZ costs exceeded estimates by approximately \$40,000. It was agreed that Council would contribute \$10,000 towards the additional costs incurred.
- The \$8.4 million 'paper loss' on interest rate swaps had been explained in the 2018/19 Annual Report.
- The practical effect of the breach of clause 20(5), Schedule 10 of the Local Government Act 2002 (p155 of the Open Agenda) was discussed in the context of legislative compliance.
- Controls were in place to monitor staff, with delegated authority up to \$25,000, self-approving purchase orders. Improvements would be considered in due course.

Resolved: (Crs Gibb/Sedgwick)

THAT the report from the Chief Operating Officer be received;

AND THAT the Committee recommend to Council that a contribution of \$10,000 towards additional audit costs for 2018/19 be approved, noting that such additional costs will be absorbed via expenditure savings in the finance cost centre.

CARRIED

A&R1912/04

Updated Future Work Plan and Action List
Agenda Item 4.3.9

The report was received [ref A&R1912/02] and taken as read. In speaking to the report, the Chief Operating Officer recorded that the KPMG Health & Safety Audit and the Health & Safety framework would be added to the work plan for March 2020.

The Chairperson and Cr Gibb would review the work plan and action list to assess whether they continued to meet the Committee's requirements.

The Chairperson thanked management for the work undertaken for the Committee during 2019.

EXCLUSION OF THE PUBLIC

Agenda Item 6

Resolved: (Crs Gibb/Church)

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:

REPORTS

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

Section 7(2)(a)

Section 48(1)(a)

b. Register of Members' Interest – Elected Members and Senior Staff

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

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

Section 48(1)(a)

