

MINUTES for a meeting of the Audit & Risk Committee of the Waikato District Council held in Committee Rooms 1 and 2, District Office, 15 Galileo Street, Ngaruawahia on **THURSDAY, 29 SEPTEMBER 2022** commencing at **9.30am**.

Present:

Mr P Stubbs (Chairperson)
His Worship the Mayor, AM Sanson
Cr AD Bech
Cr JA Church
Cr JD Sedgwick (*until 12:10pm*)

Attending:

Mr C Susan, Audit NZ
Ms K Maccown, Audit NZ

Mr G Ion (Chief Executive)
Ms A Diaz (Chief Financial Officer)
Mrs V Jenkins (Executive Manager, People & Capability)
Mr R MacCulloch (General Manager, Service Delivery)
Mr G King (Chief Information Officer)
Mr C Bailey (Finance Manager)
Mr K Abbott (Executive Manager, Projects & Innovation)
Ms E Edgar (Executive Manager, Communications and Engagement)
Ms K Rhind (Senior Communities & Engagement Advisor)
Ms G Kanawa (Democracy Manager)
Mrs L Shirley (Zero Harm Manager)
Mr D Tisdall (Risk Advisor)
Ms A McPhee (Business Resilience Advisor)
Ms C Pidduck (Legal Counsel)
Ms R Leahy (Democracy Advisor)

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Cr Sedgwick/Cr Church)

THAT the Audit & Risk Committee accepts the apologies from Cr Gibb for non-attendance.

CARRIED

A&R2209/01

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Cr Sedgwick/Cr Church)

THAT the Audit & Risk Committee:

- a. confirms the agenda for the meeting of the Audit & Risk Committee held on Thursday, 29 September 2022;
- 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
- c. receives all reports.

CARRIED

A&R2209/02

DISCLOSURES OF INTEREST

There were no disclosures of interest.

CONFIRMATION OF MINUTES

Resolved: (Cr Sedgwick/Cr Church)

THAT the minutes of the meeting for the Audit & Risk Committee held on Wednesday, 29 June 2022 be confirmed as a true and correct record.

CARRIED

A&R2209/03

ACTION REGISTER

Agenda Item 5

The register was received [A&R2209/02] and taken as read. The following discussion was held:

- Item 4 in the Actions Register will be discussed under public excluded.
- The Chairperson noted that work being done to compare the residual risk to risk appetite (Item 1 – Strategic Risk Register and Emerging Risks) will be completed by the December meeting.

Chief Financial Officer Report
Agenda Item 6.1

The register was received [A&R2209/02] and taken as read. The following discussion was held:

- Annual Audit update - there had been a focus on water performance measures and the issue of independence and impartiality of laboratory testing has been raised. Previously, water samples were sent to Ministry of Health to be independently assessed and verified. The new entity of Three Waters will now oversee the verification, but it had not been done, water samples had been tested with no independent verification. Audit NZ was now working through how water samples can be audited sector wide.
- How could Waikato District Council be impacted by this? Audit NZ will be working with the sector group to make sure they are aware of the water sampling arrangement.
- Who should be signing off the Annual Report given it will be adopted by the new Council? The existing Council will go through that process and the new Council will be briefed on changes through the audit process.
- Insurance - Fire and Emergency New Zealand – under the FENZ Act insurance levies were being reviewed. The DIA will be working with insurance sector to create a position around exemptions to levies. Council will have a better understanding of the impact once it was open to public consultation. As a result of these changes, Council's insurable risk strategy may need to be reviewed.

ACTION: Chief Financial Officer will include any new developments on insurance levies and the changes to the insurable risk strategy future reports.

Strategic Risk Register and Emerging Risks
Agenda Item 6.2

The report was received [A&R2209/02] and taken as read. The following discussion was held:

- Discussion was held on the risk of Climate Change. Council was developing strategies on this risk.
- Cyber Security - Council was constrained by the market in terms of resources and Council was going as fast as they can in terms of delivery. The question of how this is managed moving forward will need to be addressed.
- Inflationary & Affordability pressures – Is there greater strain on ratepayers now compared to post GFC 2008-11? The first instalment of rate receipts is slightly lower than last year.

ACTION: The Chief Financial Officer to include in the December report where rate collections are at relative to expectations and comparatively to the post GFC period.

Waikato District Council Zero Harm Update
Agenda Item 6.3

The report was received [A&R2209/02] and taken as read. The following discussion was held:

- Workplace violence – the number of staff who had been abused or threatened is significantly high. The Zero Harm team delivered a workplace violence survey to staff and the response rate to the survey was 75 per cent. Physical threats are most prevalent in public places and council offices. A workplace violence campaign is underway to show customers what is and is not acceptable.
- A discussion was held around what Zero Harm training will be provided for newly Elected Members.
- A discussion was held around how new staff were trained on Zero Harm and ensuring People Leaders were demonstrating safety leadership.
- Raglan Holiday Park – Cr Church asked why Raglan Holiday Park was the only holiday park that the Zero Harm team engaged with? The Raglan Holiday Park was identified as being disconnected from Council in terms of the safety management systems. Staff at the Lake Hakanoa Park had been able to attend the ‘Work Safe Home Safe’ event unlike the staff in Raglan.
- A discussion was held around developing and reviewing key risk measures that are used to track improvement and performance.

Capital Project Delivery Review
Agenda Item 6.4

The report was received [A&R2209/02] and taken as read. The following discussion was held:

- The General Manager, Service Delivery discussed the WDC Independent Assessment Review: CAPEX Project Delivery Performance. An action plan to deliver on the recommendations had been developed and was currently being implemented.
- Council will establish an Enterprise, Project Management Office, an EPMO Manager had been appointed. In terms of realignment of the business, a change proposal has been communicated to affected staff. Consultation with staff is currently underway and the final realignment proposal is due on 10 October 2022 with a view to implement the decisions on the 17 October 2022.

- Did Council have the capacity to deliver capital projects? Currently Council does not have capacity in house and relies on consultants and partners in the industry. Currently work is being done to identify which projects need resources.
- Council does not have the staff capability for all projects. Through the realignment process, position descriptions have been updated for all the new roles required and where there is a skill gap Council will go out to market.
- Accountability – One of the key findings in the WDC Independent Assessment: CAPEX Project Delivery Performance report was that there was no single point of accountability. This has now changed, and accountability sits with the General Manager, Service Delivery. The report alluded to the need for an operational single point of accountability. In the new proposal a new role has been created that fulfils that need.
- Financial reporting and service delivery - Financial systems were being upgraded to track project progress alongside financial reporting.

ACTION: Service Delivery General Manager to return in the December meeting to give an update on the project delivery framework and June next year to assess how the framework is measuring up.

- Watercare - The Waters Governance Board will receive a report from Watercare on how they will catch up and deliver on capital works projects. The \$100 million allocated to waters projects includes significant works; the Te Kauwhata wastewater and Raglan wastewater projects. The Audit & Risk Committee does not have direct oversight of the Waters Governance Board but there were mechanisms through Council delegations that they are required to report on how projects are going.

Deep Dive – Workplace Culture Agenda Item 6.5

The report was received [A&R2209/02] and taken as read. The following discussion was held:

- The Executive Manager, People and Capability commented that there had been a focus on wellbeing and mental health and this was an area that is specifically going to be resourced.
- People and Culture Retention risk – The labour turnover rate of staff is 19.9 per cent. Pre-covid Council's average labour turnover rate was between 12-15 per cent, during Covid it was under 5 per cent. Comparatively to other Councils and organisations some turnover rates are higher than 50 per cent. There are currently 19 roles open for recruitment and a total of workforce of 408 staff.
- A discussion was held on the role of Elected Members in setting the tone and culture of the organisation.

- Staff satisfaction - There had been a shift in values, flexible working and community connection are now becoming increasingly important to existing and new staff.

ACTION: The Chairperson asked the People and Capability Manager to identify in next year's Deep Dive what measures should be targeted to demonstrate progress on reducing risk.

Strategic Communications and Engagement – a progress update
Agenda Item 6.6

The report was received [A&R2209/02] and taken as read. The following discussion was held:

- The Executive Manager, Communications and Engagement reported that the focus of the last six months had been on building the structure of the Communications team. One of key resources needed had been secured in the recruitment of a Senior Communities and Engagement Advisor.
- Digital communications engagement – There had been significant growth in the engagement in the digital communications space. In the last six months engagement on Facebook has grown 455 per cent and LinkedIn has grown nearly 500 per cent. Positive sentiment had also shifted, there is more positive commentary alongside negative commentary.
- A discussion was held on the current communications strategy and brand refresh.

ACTION: The communications team to put the current Communications and Engagement strategy on the website.

- The Chairperson asked if the reference to 'governance support' in the recommendation was intended to be specific support or a reference to Council? No specific support was sought at this time.
- The Chairperson discussed developing measures. The book *How to Measure Anything: Finding the Value in 'Intangibles' in Business* by Douglas Hubbard was recommended.

ACTION: The Chairperson asked the Executive Manager, Communications and Engagement to develop measures and timeline to mitigate risk.

Resolved: (Cr Sedgwick/Cr Bech)

That the Audit & Risk Committee notes the progress being made on Strategic Communications and Engagement, as well as the direction which requires governance support to be fully successful.

CARRIED

A&R2209/04

Business Resilience Update
Agenda Item 6.7

- The Business Resilience Advisor explained that their role had been created in August and was looking to set a baseline for activities that have gone on and where they aim to go. The Business Resilience Work Program looks to establish a framework to measure efficacies.
- The Chairperson asked if the business resilience of Council during Covid should be looked at with a view to identify any lessons? Part of the Business Resilience Work Program is to develop an 'post-incident report' and come up with actions/outcomes based on the learning.

ACTION: The Resilience Team to include learnings about business resilience during the Covid-19 pandemic as part of the next 'Deep Dive' report to the Committee.

Tax Risk Update Agenda Item 6.8

- The Chairperson asked if flexible working arrangements could become a material risk or if it is a relatively minor and manageable risk? The Finance Manager commented that it is a minor risk that was principally based around the use of company vehicles and equipment.

Audit & Risk Committee Key Achievements Agenda Item 6.9

The report was received [A&R2209/02] and no discussion was held.

Resolved: (Cr Bech/Cr Sedgwick)

THAT the Audit & Risk Committee approves the Audit and Risk Committee Achievements report for presentation to Council.

CARRIED

A&R2209/05

Committee Performance Evaluation Survey & Recommended Actions Agenda Item 6.10

- A framework was created to evaluate the performance of the Audit & Risk Committee.
- A discussion was held around the engagement of the Audit & Risk Committee with other Councils and Waikato District Councillors.

ACTION: The Chairperson and Democracy Team to write a one-pager about the Audit & Risk Committee that will be circulated for new Councillors.

- A discussion was held around the membership of the Committee and whether a Maori representative should be included on the Committee.

Resolved: (Cr Sedgwick/Cr Bech)

That the Audit & Risk Committee:

- a. confirms the Chairperson will develop a summary of outcomes/actions from each meeting for distribution to stakeholders; including other Councillors, staff and external agencies (i.e. Audit NZ, KPMG etc);
- b. confirms that an annual survey of committee performance be undertaken to ensure continuous improvement is made by the Committee relative to their terms of reference;
- c. confirms the skills and experience recommended for members of the Committee as per Attachment 2 to this report;
- d. notes the elected members appointed to the Committee following the 2022 elections will receive training as part of their induction programme;
- e. request staff schedule the annual strategic risk workshop with Council in conjunction with the Chairperson and KPMG (at which time the Council will identify sites for assessment early in the new year); and
- f. notes the Chairperson will meet with the new Mayor to discuss the composition and skills and experience of Committee members following the elections.

CARRIED

A&R2209/06

Ideas & Improvement Framework

Agenda Item 6.11

- Innovations barometer – Staff worked alongside DIA and Wellington City Council to test this measure. Waikato District Council scored well against other Central Government agencies and Councils.
- The Chairperson asked if we can determine if the framework is effective? Currently only data about initial ideas for improvement were captured but delivery on those ideas were not.

REPORTS FOR INFORMATION

Quality & Governance Assurance Update

Agenda Item 7.1

The report was received [A&R2209/02] and no discussion was held.

Updated Future Work Plan
Agenda Item 7.2

- A discussion was held on the structure and timing of future meetings including the KPMG Strategic Risk workshop.

ACTION: Due to the establishment of a new Audit & Risk Committee the KPMG attendance to observe effectiveness of the Committee meeting should be held in June 2023 instead of December 2022.

Register of Interests – Elected and Appointed Members
Agenda Item 7.3

The report was received [A&R2209/02] and no discussion was held.

Resolved: (Cr Sedgwick/Cr Church)

THAT the Register of Interests for the Council to September 2022 be received, noting that no changes have been made since the June meeting.

CARRIED

A&R2209/07

EXCLUSION OF THE PUBLIC
Agenda Item 8

Resolved: (Cr Sedgwick/Cr Church)

THAT the Audit and Risk Committee:

- b. exclude the public 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 PEX 2 Confirmation of Minutes Item PEX 3.1 Fraud Declaration Item PEX 3.2 Register of Members' Interests – Senior Staff Item PEX 3.3 Audit NZ Time with Committee Item PEX 3.4 Learnings from Morrison	Good reason to withhold exists under Section 6 or Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)

Solutions - Pokeno Tuakau Pipelines Price Escalation		
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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 PEX 3.1 Fraud Declaration	7(2)(a) 7(2)(c)(ii)	To protect the privacy of natural persons, including that of deceased natural persons. 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— (ii) would be likely otherwise to damage the public interest.
Item PEX 3.2 Register of Members' Interests – Senior Staff	7(2)(a)	Protect the privacy of natural persons, including that of deceased natural persons.
Item PEX 3.3 Committee Time with Audit New Zealand	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 PEX 3.4 Learnings from Morrison Solutions - Pokeno Tuakau Pipelines Price Escalation	7(2)(b)(ii) 7(2)(c)(i) 7(2) (g) 7(2)(h) 7(2)(i)	To protect information that would otherwise unreasonably prejudice a person's commercial position. To protect information that is subject to an obligation of confidence and to ensure the information avenue remains open, when it is in the public interest for it to do so. To protect legally privileged information. To enable commercial activities to be carried out without prejudice or disadvantage. To enable negotiations to carry on without prejudice or disadvantage.

- c. THAT Ms Macown and Mr Susan from Audit NZ be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of audit requirements for Waikato District Council. This knowledge, which will**

