
Minutes for a meeting of the Audit & Risk Committee of the Waikato District Council to be held in Council Chambers Galileo Street, Ngaruawahia on **FRIDAY, 16 DECEMBER 2022** commencing at **9.30am**.

Present:

Mr P Stubbs (Chairperson)
Cr Gibb (Deputy Chairperson)
Her Worship the Mayor, Mrs JA Church
Deputy Mayor, Cr CA Eyre
Cr M Raumati
Cr P Thomson

Attending:

Cr C Beavis
Cr M Keir
Cr D Whyte

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

Mr GJ Ion (Chief Executive)
Mr TG Whittaker (Chief Operating Officer)
Ms A Diaz (Chief Financial Officer)
Mr GJ King (Chief Information Officer)
Ms C Morgan (General Manager, Community Growth)
Ms S O’Gorman (General Manager, Customer Support)
Mr C Bailey (Finance Manager)
Mr K Abbott (Executive Manager, Projects & Innovation)
Ms K Rhind (Senior Communities & Engagement Advisor)
Ms K Wellington (Enterprise Project Management Office Manager)
Ms L Shirley (Zero Harm Manager)
Mrs GJ Kanawa (Democracy Manager)
Ms L Shirley (Zero Harm Manager)
Mr D Tisdall (Risk Advisor)
Ms A McPhee (Business Resilience Advisor)
Ms R Leahy (Democracy Advisor)

OPENING KARAKIA

The Chief Operating Officer opened the meeting with a Karakia.

APOLOGIES AND LEAVE OF ABSENCE

There were no apologies.

CONFIRMATION OF STATUS OF AGENDA

Resolved: (Cr Gibb/Cr Eyre)

THAT the agenda for a meeting of the Audit and Risk Committee held on Friday, 16 December 2022 be confirmed:

- a. agrees all items therein be considered in open meeting, with the exception of those items detailed at agenda item 9 which shall be discussed with the public excluded;**
- b. in accordance with Standing Order 9.4 the order of business be changed with PEX Item 3.3 [*Committee Time with Audit NZ*] being considered after PEX Item 3.4; and**
- c. all reports be received.**

CARRIED

A&R2212/01

DISCLOSURES OF INTEREST

There were no disclosures of interest.

CONFIRMATION OF MINUTES

Resolved: (Her Worship the Mayor, JA Church/Mr Stubbs)

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

CARRIED

A&R2212/02

ACTIONS REGISTER

The following report was received [*A&R2212/01 refers*], and the following discussion was held:

- Chief Operating Officer is working with CoLab to put together a regional Audit and Risk forum for February 2023.
- Site visits for key strategic risks will be reintroduced for the Committee in 2023.

ACTION: Register will be updated to remove completed actions and add additional actions resulting from this meeting for report to the next meeting.

REPORTS – FOR DISCUSSION AND/OR DECISION

Chief Financial Officer Report Agenda Item 7.1

The report was received [*A&R22/2/01 refers*], and the following discussion was held:

- The two Bills associated with three waters reform (outlined in the report) are open for consultation with submissions closing in February 2023.

Recessionary Items

- The Chief Financial Officer noted the issue of rising home loan rates which could lead to mortgagee sales in 2023.
- *Has the increase in interest rates been factored into what it will cost Council?* Council has some interest rate hedging cover in place to mitigate rising interest rates. Quantifying the risk is currently in progress and will be shared with Council as part of the Annual Plan in February 2023.
- *Has there been a decrease in Resource Consents?* General Manager, Customer Support stated that there is not enough data yet to show a full trend, although we have seen a levelling off, but this data should be available after January 2023.
- The Chief Financial Officer noted that there had been a decline in property sales across the district.
- Issues with a recession may not be seen for Council until the first year of the Long-term Plan. From a rating growth perspective, properties that are being built in the current financial year will determine what the rates look like next year.
- The Council relies heavily on rating income (70 percent of income), which serves well during a crisis. This is compared to some Councils that rely more heavily on fees and user charges for income, which is variable.
- Changes to development contributions and fees associated with building and resource consents will be looked at in the new calendar year.

RISK

Strategic Risk Register and Emerging Risks Agenda Item 7.2

The report was received [*A&R22/2/01 refers*], and the following discussion was held:

- The Chairperson noted the value in the graphs produced for Councillors which show the appetite for risk and the reducing residual risk over time.
- A discussion was held on the high-level maturity assessment undertaken. The more a risk is unpacked the more Council learns what can be done to mitigate the risk. As a result, although the trajectory might change to show the risk as being more adverse, this might simply mean more has been learned about the risk itself.

Cyber Security

- The Chief Information Officer stated that 75,000 cyber-attacks and around 3,000 malicious emails are stopped each month.
- Staff and Councillors are required to undertake cyber-security training as part of their induction programme.

Climate Resilience

- A concern was raised about Climate Resilience as a strategic risk. It was noted that the focus should be more on the protection of people and community as well as assets (outcomes).

Trust in Local Government

- The Chairperson observed that, trust in Local Government is perhaps emerging as a strategic risk. This will be traversed as part of the strategic risk review in the new year.

Business Continuity Test

- A Business Continuity test of the VPN system was conducted last week to confirm internal and external resilience. Business Resilience is still maturing in terms of risk management and understanding.
- A concern was raised about the lack of information provided on risks, why they have been left to chance, what is being done to mitigate the risk and what is the cost of doing so. It was noted that the terminology of 'left to chance' is language used as part of a maturity journey rather than it not being managed.

ACTION: Executive Manager, Projects & Innovation to provide material examples of risk management in future committee reports.

Deep Dive Technical Capability

Agenda Item 7.3

The report was received [A&R22/2/01 refers], and the following discussion was held:

- The Chief Information Officer gave an overview of the report and noted that significant progress, improvements, and ongoing work programme is the focus.
- A concern was raised regarding resilience not having been tested previously. In 2016, a disaster recovery site was established in Tuakau and was based on the business requirements at that time. The site had the capability to operate a set of applications Council was reliant on at that time and for up to 25 staff to work there. Testing of that site was conducted but no overall organisational test was done, as the assumption was the Tuakau office would be able to provide the required level of service at that time.

- *When will Council see returns on efficiencies?* The Chief Information Officer noted that efficiencies are being seen now. In the past, 90 per cent of Council documents were paper based, now 60 per cent are handled digitally. The digitisation of services such as dog registrations had an overall impact on improving customer service.
- A discussion on 'cloud strategy' was held. Cloud based infrastructure is being implemented. Both email and the contact centre services will be moving to the cloud early next year which means the data will be moved to a more robust system independent of any risk associated with the Ngaruawahia site.
- It was noted that the section on 'Business Continuity' and the Council's 'Disaster Recovery Plan' in the report was out of date. A test has recently taken place to assess Council's resilience in this space which was successful.
- The Chairperson observed that in 2020 the inherent risk factor was high and in two years the inherent risk factor remained high. The Chief Information Officer stated that significant improvements had been made but the risk in Cyber Security had increased. The proposal for changes to be implemented over the next two years would bring the risk to medium.

ACTION: Chief Information Officer and People and Capability Manager to create a follow-up report for the Committee that will include timelines, measures of progress and updates thereon.

Resolved: (Mr Stubbs/Cr Gibb)

That the Audit and Risk Committee confirms:

- the support of management's residual risk assessment of High (likelihood possible, consequence catastrophic);**
- the support of the continuation of management's plan to reduce the residual risk; and**
- requests regular reports on progress for achieving the move towards medium risk.**

CARRIED

A&R2212/03

Meeting adjourned at 10:35am and resumed at 10:45am.

Risk Management Framework Review
Agenda Item 7.4

The report was received [*A&R2212/01 refers*], and the following discussion was held:

- *Who manages and determines risk management strategies?* The control options are specific to the risk, the person that 'owns' the risk determines which strategies are used and how extreme that risk is. However this is reviewed by the Executive Management Team and subsequently reviewed by governance as part of deep dives.
- *What is a double entry system for checks and balances for delivery?* Risk mitigation is a culture. From a critical risk perspective, verification is important, there are multiple frameworks in place that ensure very few risks in the organisation would pass through only one

person's hands. Risk management is part of normal day to day business, which includes a number of controls.

Waikato District Council Zero Harm Update

Agenda Item 7.5

The report was received [A&R22/2/01 refers], and the following discussion was held:

- The Zero Harm Manager highlighted 'working with animals' as a critical risk. The Zero Harm team were supporting the Animal Control team to implement changes.
- *Were Elected Members involved in workplace violence training?* As part of their inductions Councillors undertook standard Zero Harm training including Tactical Communications and Situational Awareness training.

ACTION: Councillors to provide feedback on Zero Harm inductions to Zero Harm Manager.

- The Zero Harm Manager provided a detailed explanation of the bow tie methodology in risk management for the new members of the Committee.

Capital Project Delivery Update

Agenda Item 7.6

The report was received [A&R22/2/01 refers], and the following discussion was held:

- *Has each project budget been uploaded to the management control system?* This is work in progress but acknowledged is behind schedule. It is a large database, and the work is now expected to be completed by the end of January 2023.
- *What percentage of capital projects will be delivered next year?* This is not able to be quantified yet. Work was being done to forecast ahead for next year and future years. There was currently several procurement activities going ahead, however, there were market constraints that could have an impact on these projects.
- *How is recruitment for the EPMO progressing and how many people are applying for the roles?* There was a good interest in the roles.
- It was noted that regular updates from the EPMO Manager would be reported to the Infrastructure Committee.
- *Is there any progress on accountability and performance strategies?* The EPMO Manager was spending one on one time with new team members to set expectations from the outset.

OTHER

Annual Report

Agenda Item 7.7

The report was received [A&R22/2/01 refers], and the following discussion was held:

- One issue had arisen since the report was produced – the disclosure of greenhouse gas emissions. The Finance Manager noted that Council’s disclosure and reporting of greenhouse gases had been light.
- Audit NZ stated they expected to give verbal clearance for the Annual Report on 16 December 2022, subject to minor changes being included.
- *Did the audit process trigger the work around major capital projects?* Audit NZ highlighted to Council that there was an issue with assets that had not been capitalised and were still considered as works in progress. Good progress has been made in the past year however.
- *What are the depreciation implications of major capital projects?* There was a potential depreciation shortfall of \$600k to \$800k per annum.
- *What is the difference between carrying value and fair value?* Assets are valued every year or three years and valued against their depreciated replacement cost and measured against a pre-value assessment.

Resolved: (Mr Stubbs/Cr Gibb)

THAT the Audit & Risk Committee:

- subject to receiving final clearance from Audit New Zealand, the Audit and Risk Committee recommends to Council the adoption of the Annual Report 2021/2022 from a risk perspective; and**
- confirms improvements to the Annual Report process be captured, with progress on actions being reported to the March 2023 Audit & Risk Committee meeting.**

CARRIED

A&R2212/04

REPORTS FOR INFORMATION

Quality & Governance Assurance Update
Agenda Item 8.1

The report was received under [A&R2212/01 refers], and the following discussion was held:

- It was noted that there needed to be a substantive conversation about the function, programme, and capacity of internal audit within the organisation.
- The Chief Operating Officer confirmed that the Executive Leadership Team had supported a business case for an internal auditor. That resource was put on hold to focus on establishing processes to deliver good practice rather than audit and identify known issues.

ACTION: Chief Operating Officer to arrange for the Executive Leadership Team to reassess the business case for an internal auditor.

Updated Future Work Plan
Agenda Item 8.2

The report was received [*A&R22/2/01 refers*], and the following discussion was held:

- Under the current meeting schedule for 2023 there would be four meetings and one KPMG workshop held where the strategic risks and risk appetite would be reviewed. It was noted that staff would also book key strategic risk site visits after each meeting.
- The Chief Executive noted that Councillors have obligations of due diligence under the Health and Safety at Work Act 2015. It was important for Councillors to observe health and safety procedures.

ACTION: Staff to liaise with the Chairperson to identify appropriate sites for 2023 and schedule accordingly.

- Discussion was held on whether a CAPEX delivery update should be held at each meeting.

ACTION: CAPEX delivery update will be included in Strategic Risk Register.

ACTION: Staff requested to provide a forecast on the percentage of capital projects they expect to deliver for 2022/2023 and would work with the Chief Operating Officer to determine how this is reported to the Committee.

Cr Raumati left the meeting at 11:35am and returned at 11:40am.

Register of Interests – Elected and Appointed Members
Agenda Item 8.3

The report was received [*A&R22/2/01 refers*], and the following discussion was held:

- It was noted the declared interests for Cr Beavis, Cr Whyte, Cr Raumati and Cr Gibb were out of date or incorrectly recorded.
- The Democracy Manager advised three Councillors were still to return their declaration of interests.

ACTION: Democracy Team would update the register ahead of the next Audit and Risk meeting.

EXCLUSION OF THE PUBLIC

Resolved: (Mr Stubbs/Cr Raumati)

THAT the Audit and Risk Committee:

a. 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 Fraud and Corruption Risk Management Update	Good reason to withhold exists under Section 6 or Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)

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 Fraud and Corruption Risk Management Update	7 (2)(a) 7(2)(c)(i) 7(2)(c)(ii)	To protect a person's privacy. 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 information that is subject to an obligation of confidence and to protect the public interest.

- b. 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 be of assistance in relation to the matter to be discussed, is relevant to that matter to inform and advise the Committee members.**

CARRIED

A&R2212/05

CLOSING KARAKIA

Cr Raumati closed the meeting with a Karakia.

There being no further business the meeting was declared closed at 12:07pm.

Minutes approved and confirmed this 15th day of March 2023.

Peter Stubbs
CHAIRPERSON