

Minutes for a meeting of the Audit & Risk Committee held in Committee Rooms 1 & 2, 15 Galileo Street, Ngaruawahia on **WEDNESDAY, 15 MARCH 2023** commencing at **9.30am**.

**Present:**

Mr P Stubbs (Chairperson)  
Cr J Gibb (Deputy Chairperson)  
Her Worship the Mayor, Mrs JA Church (Arrived 9:35am)  
Deputy Mayor, Cr CA Eyre  
Cr M Raumati  
Cr P Thomson

**Attending:**

Ms K Maccown, Audit NZ  
  
Mr TG Whittaker (Chief Operating Officer)  
Ms A Diaz (Chief Financial Officer)  
Mr GJ King (Chief Information Officer)  
Ms S O’Gorman (General Manager, Customer Support)  
Ms M May (Acting General Manager, Service Delivery)  
Mr K Abbott (Executive Manager, Projects & Innovation)  
Ms L Shirley (Zero Harm Manager)  
Mr G Tregida (Roading Manager)  
Mr D Tisdall (Risk Advisor)  
Ms R Leahy (Democracy Advisor)

**OPENING KARAKIA**

The Chief Operating Officer opened with a karakia.

**APOLOGIES AND LEAVE OF ABSENCE**

**Resolved: (Mr Stubbs/ Cr Gibb)**

**That the apology from Her Worship, the Mayor JA Church for lateness be accepted.**

**CARRIED**

**A&R2303/01**

## **CONFIRMATION OF STATUS OF AGENDA**

**Resolved: (Cr Gibb/ Cr Eyre)**

**THAT the agenda for a meeting of the Audit and Risk Committee held on Wednesday, 15 March 2023 be confirmed:**

- a. with all items therein being considered in open meeting, with the exception of those items detailed at agenda item 9 which shall be discussed with the public excluded; and**
- b. all reports be received.**

**CARRIED**

**A&R2303/02**

## **DISCLOSURES OF INTEREST**

The Chairperson disclosed an interest in Co-Lab. It was noted that Mr Stubbs is the Chairperson of Co-Lab.

## **REFLECTION ON CO-LAB**

- A discussion was held around Co-Lab Regional Audit and Risk Committee Forum and what the Councillors took out of the meeting.
- It was noted that there was consistency among Councils in regard to the business risks being managed and the attendees liked the idea of focusing on risk interconnectivity and emitters when it comes to minimising the number of mitigations.
- A concern was raised that there was limited Maaori representation at the forum.
- A discussion was held around the potential for risk appetite within the Council being higher to deliver outcomes.

## **CONFIRMATION OF MINUTES**

**Resolved: (Mr Stubbs/Cr Gibb)**

**THAT the minutes for a meeting of the Audit & Risk Committee held on Friday, 16 December 2022 be confirmed as a true and correct record with the following amendment:**

***Agenda Item 7.2 Strategic Risk Register and Emerging Risks - comment changed from “the focus should be more on the protection of people and community rather than assets (outcomes)” to “the focus should be more on the protection of people and community as well as assets (outcomes)”***

**CARRIED**

**A&R2303/03**

## **ACTIONS REGISTER**

The report was received [*A&R2303/02 refers*], and the following discussion was held:

- A general discussion was held on support for an Internal Audit position within Council. The funding for the role would be discussed with Councillors in the Annual Plan workshop at the end of March. The Committee again supported the role as a key mitigation to an elevation of risk appetite.
- The committee explored other options such as employing university students in a temporary capacity for the Internal Audit role.
- It was noted that an Internal Auditor position within Council would have wide value from a strategic perspective through to compliance. The Internal Auditor would ensure that policies and processes were adhered to and that the right controls were in place. Such a role is important from an innovation and improvement perspective.

**ACTION:** Chief Operating Officer to share business case for Internal Auditor with A&R Committee Members.

## **REPORTS – FOR DISCUSSION AND/OR DECISION**

### Chief Financial Officer Report Agenda Item 7.1

The report was received [*A&R2303/02 refers*], and the following discussion was held:

#### Three Waters

- The Committee heard that the Chief Financial Officer met with the National Transition Unit regarding the debt settlement process. Council is in a good position given the specific debt and rating reserves we hold for waters activities.
- Councils were working with the local government funding agency to ensure Council's position was neutral with the aim of keeping credit rating largely intact.
- The National Transition Unit confirmed that from a 'no worse off' perspective' \$4.5 million had been allocated to Waikato District Council, which was in line with what was assumed when Council completed the transition with Watercare.
- For Councils that have debt less than 20 million at the transfer date they would receive a cash settlement from the Entity. Council was in a position where the debt number would likely be higher than that. That would mean the Entity would enter into an up to five-year payment arrangement to cover our debt transfer.
- It was noted that the transition of debt from councils to Entity B needed to be managed in a way that didn't shock the market.
- Some councils were concerned that as the revenue base went with the Waters asset, this may mean their ability to raise debt would decrease. The Local Government Funding Agency was working with those councils to address those concerns.

## Risk Appetite and Impediments

- One issue that came out of the Co-lab Workshop with KPMG was the connection between risk appetite and policy settings, and the fact our risk appetite is set generically rather than relevant to a particular activity.

**ACTION:** The Risk Advisor to work with KPMG to showcase to Elected Members the trade-offs between risk appetite and policy setting.

## Insurance

- *In relation to Cyclone Gabrielle was there any indication that Council was under insured? The type of damage that occurred was not covered under any insurance policy. There is a natural disaster underground assets insurance policy. There is no indication from Watercare that any claim for underground assets needed to be made. There was a claim being made for an above ground asset that was damaged (water treatment plant in Port Waikato).*
- *In terms of the insurance programme were there any key learnings that Council needed to apply when going to market for insurance at the end of the year? Highly engineered infrastructure may need to be insured as a trade off with infrastructure that was considered lower value and may never be claimed on.*
- It was noted that Council did not have a rates remission policy that specifically covers natural disasters. Council will withhold sending out rate bills to the affected red and yellow stickered houses. Rates would be remitted for the period they are affected as they are not receiving services This has been communicated to the affected homeowners.
- A retrospective recommendation on remission policy would be put forward to Council.

**ACTION:** Democracy Team to include the recommendation on the remission policy for the red and yellow stickered houses in Port Waikato in the A&R Key Messages.

## **RISK**

### Strategic Risk Register and Emerging Risks

#### Agenda Item 7.2

The report was received [A&R2303/02 refers], and the following discussion was held:

### Cyber Security

- The Committee discussed the risk of non-IM managed systems and heard how the Executive Leadership Team (ELT) was managing the situation. Each business owner had been contacted and remediation works had started. ELT would work through the broader plan to manage the issue and what resource would be required for the remediation works.
- *What was the opportunity cost to our business with the constraint around resources? The challenges were resource as there was not just one type resource or skillset Council was short of. ELT was looking at how this work could be accelerated, projects would be reprioritised to get the biggest return from an operational and risk mitigation perspective. It was not just about delivering but also how much change the organisation could consume.*

- *How was the business continuity test progressing?* This work was still progressing however, there were challenges with resources being reprioritised to the Cyclone Gabrielle recovery. Projects were taking place that would increase the disaster recovery capability as per the Audit NZ recommendation, but more work needed to be done.
- Information Management understands what Council data would be lost if a disaster were to occur. It was noted that when all assets were in one location there was an environmental risk to the organisation.

**ACTION:** Chief Information Officer to provide a presentation on cyber security disasters and risk mitigation to Councillors.

- *Who decides which projects involve community engagement?* The project manager, business owner and stakeholder analysis undertake this assessment as part of the project management process. A matrix had been created to identify the level of community engagement that was required. The next step was to ensure Councillors are aware of which projects required community engagement.

**ACTION:** Risk Advisor to rework the graphs and key to be the more comprehensible for the reader.

The meeting adjourned at 10:38am resumed at 10:57am.

### Strategic Risk Interdependencies - Deep Dive Agenda Item 7.3

The report was received [*A&R2303/02 refers*], and the following discussion held:

- The Risk Advisor noted that the report was intended as a background document ahead of the workshop with KPMG in April. It focussed on the strategic risks within the business and how they align with Council's strategy.
- There was discussion on short/medium term risk vs long-term risks. For example, ageing infrastructure would take a long time before it became an issue, however, a supply chain issue would have an effect within a matter of weeks. There was a risk that a short-term focus on a strategic risk could lead to forgetting about long-term risks/issues.
- The Committee heard how a programme register was being implemented on work programmes for mitigating strategic risks. This would enable more oversight on how plans are progressing. The Committee will receive RAG (Red, Amber, Green) updates on all such work programmes at future meetings
- It was noted that deep dive reports in future would focus more on risk emitters in relation to the four strategic risks. With the one exception being the Community Experience strategic risk as it is more isolated than other risks and influenced by other factors.
- An observation was made that people retention and ensuring all positions were filled was key to solving a lot of issues within Council.

**ACTION:** Risk Advisor to ensure workplan includes four deep dives into the key Strategic Risks.

- A comment was made about reframing risk more widely in the context of delivering on outcomes within the organisation and possibly renaming the Audit and Risk Committee.

**ACTION:** Risk Advisor to rethink the name of the Audit and Risk Committee.

#### Waikato District Council Zero Harm Update Agenda Item 7.4

The report was received [A&R2303/02 refers], and the following discussion was held:

- The recommendation for engaging an external resource to audit the Zero Harm Safety Management System would go to ELT.

**ACTION:** The Zero Harm Manager to include trend line where possible in future graphs.

- *Was there a timeline for the risk control plan?* They were phased for this financial year. In regard to mental wellbeing the Zero Harm Team were looking to have the bowtie and analysis completed by the end of the financial year. The Zero Harm team were meeting with People and Capability fortnightly and had reached out to Co-Lab peers who were also working on this risk.
- *What progress has been made to outcomes on Zero Harm conversations?* The Zero Harm team was now meeting with the People and Capability Team monthly to discuss the data received from zero harm conversations and identify any increased areas of risk or opportunities for improvement.

#### Waka Kotahi Investment Audit Report Findings Agenda Item 7.5

The report was received [A&R2303/02 refers], and the following discussion was held:

- It was noted that Council received the highest rating that could be achieved in the audit. There were some issues that were highlighted; however some were resolved before the report was produced.
- A comment was made that there should be a process where audit feedback goes to a generic email so it could be picked up if there were staff changes.
- A concern was raised that the procurement policy expired in July. It was noted that the revised policy had been drafted. The process meant it would go through to Waka Kotahi first then to Council.
- *Was Council under costing our expertise and missing out on subsidies?* In the last audit Council was instructed to do things one way and now this advice had since changed with the new auditor.

Insurance Policy / Premium Confirmation  
Agenda Item 7.6

The report was received [A&R2303/02 refers], and the following discussion was held:

- The Chief Financial Officer raised a concern that under the current inflationary conditions if a large-scale event occurred Council may not have enough insurance cover in place. This is largely timing as our renewal each year is based on current values.
- *Did excesses vary?* They are set at a group (Regional) level through the Co-lab agreement. The excess on material damage was set at \$10,000. This does impact community halls in terms of contents where those committees provide additional cover. A full policy report from Aon will be provided with the excess and exclusions detailed for each policy.
- *Were leaky buildings covered?* There is no insurance cover available for leaky buildings. However, if related to liability, for example where Council actions have led to the adverse outcomes, then there may be cover available.
- A discussion was held around multi-layer insurances. Some of the damage from the Cyclone was covered by the Government rather than insurance. Insurance cover is just one risk mitigation. Council has a number of mitigations available including an emergency loan facility, and potentially defer or divert work programmes. There had been some recent legislated changes under the civil defence management that meant work could be conducted without extensive consultation.
- *What was being done to mitigate the impact on Council's assets?* Through the Long-Term Plan, Council receives pre-approved subsidy for unexpected emergency works from Waka Kotahi. There is also a minor events allocation.
- There is currently \$1.1 million in the budget for emergency roading works but has some exposure in the waters area as there is no equivalent government assistance.
- A discussion was held around resilience planning. The Committee heard how during the recovery process a lens was placed on communities and assets to gauge how resilient they were.
- *Do we have the financial capacity to be resilient?* To bring certain infrastructure up to standard, funding from the Government is required.

## Annual Report Risk Assessment

### Agenda Item 7.7

The report was received [*A&R2303/02 refers*], and the following discussion was held:

- The Chief Financial Officer noted that there had been a change in auditing standards. Audit NZ stated there would be greater focus on access controls in relation to auditing IT systems.
- More documentation will be provided by Audit NZ. We are currently migrating to the cloud. The lens in terms of the audit will hence be useful.
- *Are the disclosures of green-house gas emissions required by law?* The requirement was coming into legislation and will be required by all entities, not just councils. This area will be audited to test to whether Council was ready for this audit expectation. The requirement for disclosure would come into effect in July 2024.

## **OTHER**

### Final Audit Management Report

#### Agenda Item 7.8

The report was received [*A&R2303/02 refers*], and the following discussion was held:

- The Chief Financial Officer noted that there were robust and up to date procurement policies in place.
- A discussion was held around the network users. IM currently have a manual process that mitigated risk re 'active user' access only. There is a risk that part-time employees and contractors continued to have access to systems.
- A concern was raised about the maturity of the contract management system and its application. Staff noted that good progress has been made. Audit NZ will assess this at the next interim audit.

## **REPORTS FOR INFORMATION**

### Quality & Governance Assurance Update

#### Agenda Item 8.1

The report was received under [*A&R2303/02 refers*], and no discussion was held.

Updated Future Work Plan  
Agenda Item 8.2

The report was received [A&R2303/02 refers], and the following discussion was held:

**ACTION:** To create a programme for the Committee risk based site visits.

- *What is the Committee not doing?* The Chief Operating Officer noted there is a work programme for each item in the Terms of Reference for the Committee and hence the committee can have assurance it is delivering on the terms of reference. It was noted there is an annual review of the terms of reference which can address changes required.

Register of Interests – Elected and Appointed Members  
Agenda Item 8.3

The report was received [A&R2303/02 refers], and no discussion was held.

**ACTION:** Democracy to highlight changes to the register in future reports.

**EXCLUSION OF THE PUBLIC**

**Resolved: (Mr Stubbs/ Cr Thomson )**

**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:**

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48(1) for the passing of this resolution</b>
<b>Item number PEX 2 Confirmation of Minutes</b>  <b>Item PEX 3.1 Fraud Declaration</b>  <b>Item PEX 3.2 ComplyWith Survey</b>  <b>Item PEX 3.3 Risk Assessment of Council Controlled Organisations – Statements of Intent</b>	<b>Good reason to withhold exists under Section 6 or Section 7 Local Government Official Information and Meetings Act 1987</b>	<b>Section 48(1)(a)</b>

<b>Item PEX 3.4 Register of Interests - Senior Staff</b>		
<b>Item PEX 3.5 Audit NZ Time with Committee</b>		

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:

<b>Item No.</b>	<b>Section</b>	<b>Interest</b>
<b>Item PEX 3.1 Fraud Declaration</b>	<b>7(2)(a)</b>  <b>7(2)(c)(ii)</b>	<b>To protect the privacy of natural persons, including that of deceased natural persons.</b>  <b>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—</b>  <b>(ii) would be likely otherwise to damage the public interest.</b>
<b>Item PEX 3.2 ComplyWith Survey</b>	<b>6(a)</b>	<b>To protect the maintenance of the law.</b>
<b>Item PEX 3.3 Risk Assessment of Council Controlled Organisations – Statements of Intent</b>	<b>7(2)(f)(i)</b>	<b>To maintain the effective conduct of public affairs through free and frank expression of opinion</b>
<b>Item PEX 3.4 Register of Members’ Interests – Senior Staff</b>	<b>7(2)(a)</b>	<b>Protect the privacy of natural persons, including that of deceased natural persons.</b>
<b>Item PEX 3.5 Committee Time with Audit New Zealand</b>	<b>7(2)(c)(ii)</b>	<b>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.</b>

