

**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, 23 SEPTEMBER 2020** commencing at **9.30am**.

**Present:**

Ms M Devlin (Chairperson)  
His Worship the Mayor Mr AM Sanson [*until 10.21am and then from 10.31am*]  
Cr AD Bech  
Cr JM Gibb  
Cr JD Sedgwick [*until 11.26am and then from 11.31am*]  
Cr JA Church

**Attending:**

Cr N Smith [*from 11.50am*]

Mr C Susan (Director, Audit NZ)  
Ms K Macown (Assistant Manager, Audit NZ)  
Mr D Sutton (KPMG)  
Ms G Wyborn (KPMG)

Mr GJ Ion (Chief Executive)  
Mr TG Whittaker (Chief Operating Officer)  
Mrs S O’Gorman (General Manager Customer Delivery)  
Mr R MacCulloch (General Manager Service Delivery)  
Ms A Diaz (Chief Financial Officer)  
Mr K Abbott (Projects & Innovation Manager)  
Mr G King (Chief Information Officer)  
Mr J Quinn (Communications, Engagement and Marketing Manager)  
Mrs K Jenkins (Risk Advisor)  
Mrs L Shirley (Zero Harm Manager)  
Ms C Pidduck (Legal Counsel)  
Mr R Ashley (Community Assets Manager)  
Mr B Stringer (Democracy Manager)

**APOLOGIES AND LEAVE OF ABSENCE**

All members were present.

**CONFIRMATION OF STATUS OF AGENDA ITEMS**

The Chairperson outlined the agenda for the meeting and advised flexibility may be required to accommodate the KPMG presenters for Item 7.8 – *KPMG Assessment of Flexible Working Review*.

**Resolved: (Cr Gibb/Mayor Sanson)**

**THAT the agenda for a meeting of the Audit & Risk Committee held on Wednesday, 23 September 2020 be confirmed and 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 THAT all reports be received.**

**CARRIED**

**A&R2009/01**

### **DISCLOSURES OF INTEREST**

Cr Sedgwick declared a non-financial interest in item 2.2 in the Public Excluded agenda [*Member conflict of interest – Office of Auditor-General response and steps taken by the Council*], though did not consider this created a conflict of interest.

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

It was noted that all Committee members were recorded in item 7.12 in the Open Agenda (*Register of Interests – Elected and Appointed Members*).

A query was raised as to the inclusion of staff names in the Elected Members' Register of Interests in the Open Agenda.

**ACTION:** Staff to check for reference to staff names in item 7.12 (*Register of Interests – Elected and Appointed Members*).

**Post-Meeting Note:** The Register was checked and there were no references to staff, other than staff who held an elected position.

### **CONFIRMATION OF MINUTES**

**Resolved: (Crs Sedgwick/Bech)**

**THAT the minutes of a meeting of the Audit & Risk Committee held on Wednesday, 3 June 2020 be confirmed as a true and correct record of that meeting.**

**CARRIED**

**A&R2009/02**

## **ACTIONS REGISTER**

The report was received [ref S&R2009/01] with the progress noted against each action.

## **REPORTS**

### Strategic Risk Register Review September 2020

#### Agenda Item 6.1

The report was received [ref A&R2009/01].

In speaking to the report, and responding to questions, the following points were discussed:

- The timing of why changes to the Risk Register (as highlighted red in the attachment to the staff report) were presented prior to December training session.
- Typo error in R00192 - “uniformed” to read “uninformed”
- R00183 – Council partnerships and cross-border issues for North Waikato. Clarity provided on the difference between stakeholder and key partners. Care to be taken that this matter does not fall between the gaps of ‘stakeholder risk’ and ‘partnership risk’.

**ACTION:** Partnership and stakeholder risk to be considered in training to take place in December 2020.

- Cyber security attacks and risks with staff working remotely (including non-Council staff being able to access/view Council information). Protocols and processes in place to set clear expectations for staff.
  - Staff code of conduct and employment agreements set out confidentiality obligations; Code of Conduct for elected members. Rely on staff and members to adhere to these requirements.
  - Community Board members would not be part of a public excluded meeting.

**ACTION:** Targeted protocols to be drafted to address confidentiality of Council information for remote working (including online meetings).

- Data hierarchy – which data required higher security measures, and contractual requirements in place for contractors hosting/processing Council data.

**ACTION:** Staff to provide overview of data hierarchy for Council information and identify procurement requirements that were in place to protect Council information held by third parties

**Resolved: (Mayor Sanson/Cr Gibb)**

**THAT the Audit & Risk Committee recommends that Council approve the proposed updated risk register, as attached to the staff report.**

**CARRIED**

**A&R2009/03**

Risk Appetite Review September 2020  
Agenda Item 6.2

The report was received [ref A&R2009/01]. The following matters were discussed:

- The Risk Advisor summarised the context and timing for the review. The Risk Appetite would be considered in the December training session and, if required, could be reviewed again in 2021.
- Explanation of key changes made, including the inclusion of Covid-19. A tracked-change version was not included in the agenda as such a version was difficult to read.
- Innovation Corporation outcomes extracted from *Our Plan* and represent objectives the organisation would seek to implement; they were aspirational in nature.
- Risk and governance – purpose of the Risk Appetite Statement was to assist with decision-making and empower staff to make decisions as part of ‘business as usual’.
  - As required, matters would be presented to the Committee or Council for consideration.
  - Where Council was placed in comparison with other organisations. The Risk Advisor explained the Council’s risk programme; the organisation was currently positioned about 2 on a scale of 1 to 5 in terms of risk maturity.
- Statement needed to clarify organisation’s zero tolerance for health & safety risk.
  - Explanation of difference between ‘appetite’ and ‘tolerance’. Fraud risk discussed as an example.
  - Organisation’s journey for managing health & safety risk; improvements still to be made.
  - Expectation was that staff would not be doing anything to exacerbate the organisation’s health & safety risk.

**ACTION:** Staff to circulate a marked-up version of the Risk Appetite Statement to highlight changes, together with a recommendation for the Committee to approve the statement by email resolution.

**ACTION:** Risk Appetite Statement to be clear in terms of organisation’s tolerance for risks (e.g. fraud).

**ACTION:** Risk Appetite Statement to be considered in elected member training session in December 2020.

## Strategic Risk Register and Emerging Risks September 2020

### Agenda Item 7.1

The report was received [ref A&R2009/01]. The Chairperson provided context to the report and the Risk Advisor noted that comments and actions in relation to stakeholder engagement had now been addressed in the Register. The following matters were discussed:

#### *Strategic Risk Gap Analysis*

- Council's evolving journey to improve management of risk.
- Efforts made by the organisation in last 12 months; important that Council continues to deliver what it had said it would do and remain agile.
- Table 2 (p39 Agenda):
  - Explanation of 'High' rating for Risk R00230 (Growth) and how it aligned with the Risk Appetite. Further discussion between the Executive Leadership Team and Council would be required.
  - Whether Risk R00188 (Economic and Social Development) was out of alignment with Risk Appetite.

**ACTION:** Executive Leadership Team to conder Risks 00230 and 00188 in terms of alignment with Risk Appetite.

**ACTION:** Committee to explore Health & Safety risk at December 2020 meeting, in particular how the organisation will move from an Extreme to Low rating.

- Risk R00187 – Elected members' performance and succession planning.

**ACTION:** Staff to consider this risk and next steps required as part of December training session.

#### *Emerging Risks*

- The Risk Advisor summarised the report and the improvements that had been made by the organisation, including expansion of BCPs to provide increased granularity required and work undertaken with other councils.
- Planning roadmap would be presented to Council in the next month to identify how different planning documents aligned and were kept updated.
- Staff had a programme to connect with newly appointed Ministers after the national election in October 2020.
- Staff awaiting direction from Regional Group Controller, following conversation with him, on how to address re-emergence of Covid-19 within or on the boundaries of the District.

- Connection with national agencies to better understand responsibilities and to identify the lead agency.

Mayor Sanson had raised the issue with the Minister for Civil Defence.

- Climate change
  - Action Plan would include strategies of what the organisation needed to 'look like' to address risks. Organisation needed to address the potential risks to Council's assets and potential costs of mitigation/adaptation.
  - Programme of work contemplated by the organisation.

**ACTION:** Staff to circulate the link to Committee members of the Office of Auditor-General work on climate change assumptions and impact on financial strategies and asset management plans.

- Strategic Risk Register
  - Risks were aligned to roles in the system; the name of person who held the role was produced when the report was collated.

**ACTION:** Staff would consider the four wellbeings as part of forming mitigation plans.

Mayor Sanson withdrew from the meeting at 10.21am and re-joined the meeting at 10.31am during discussion on the above item.

### Risk Conversations – Legal Team Agenda Item 7.2

The report was received [ref A&R2009/01]. The Legal Counsel highlighted, and responded to questions, on the following matters:

- The table on page 81 of the agenda reflected the risks as at the end of 2019, when the report was originally scheduled to be presented to the Committee.
- Some of the mitigation measures were challenging for the Legal team to implement during Covid (e.g., RL 002 engagement of Legal Team).
- Increased capacity with recent additional member to the team.
- Benefits to organisation in receiving in-house legal advice.
- Legislative Compliance risk – Legal team commenced review of external resource (ComplyWith) to track organisation's compliance with legislative obligations; the benefits of the reporting function provided.
- HARM Register – explanation provided on how the register was collated, Residual Risk Assessment, and Critical Risk extract.

- Fatigue and workplace stress (RL-008) – mitigation measures that had been implemented and positive impact of the additional team member.

**ACTION:** HARM Register to be removed for Risk Conversation reports, and issues to be addressed directly in relevant team's report.

- Impending changes to the Privacy Act – programme of work proposed by the Legal team to increase awareness in the organisation.

### Waikato District Council Asset Management Planning - Strategic Risk Deep Dive Report Agenda Item 7.3

The report was received [ref A&R2009/01] and was introduced by the Community Assets Manager. The following matters were discussed:

- Context of the risk framework and asset management across the business; work that had been done and initiatives that still needed to be worked on.
- Prudent and appropriate asset management was a relatively complex process.
- Impairment to assets
  - unfulfilled risk with climate change recognised in asset management plan
  - condition assessment of assets (e.g. structures in land transport space).
- Organisation well-placed in terms of asset management in triennial planning (e.g. LTP); still some issues to work through before plans could be publicly consulted on.
  - Value of internal resource leading this work.
  - Asset management maturity.
- How learnings from Covid-19 were captured.

Cr Sedgwick withdrew from the meeting at 11.26am during discussion on the above item.

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

The report was received [ref A&R2009/01]. The Zero Harm Manager highlighted the recent work undertaken by the Zero Harm team and the work that would be presented to the Committee in the near future. The following matters were discussed:

- Dog bite injury to staff member and investigation that had commenced. Zero Harm had expedited work on the bowtie critical risk for working with dangerous animals.
- Negative safety conversations and opportunity they provided to improve controls to produce a positive result.

- Health & safety issues with staff returning to work post-lockdown. Zero Harm were working with People & Capability to identify and respond to issues.
  - Level of near-miss and events reporting had picked up since the return to Level 1.
  - Fatigue and wellbeing of staff. Work-related stress was a bowtie critical risk that Zero Harm would be working on in the coming year.

Cr Sedgwick re-joined the meeting at 11.31am during discussion on the above item.

### CAPEX Project Delivery Capability Agenda Item 7.5

The report was received [ref A&R2009/01]. The General Manager Service Delivery summarised the report and the key work underway. The following matters were discussed:

- Long-term record of carry-forwards and analysis that had been undertaken.
- Next steps involved planning for an appropriate level of works, that the work programme would be understood by staff and the communities, and completion of well-defined asset management plans.
- Procurement team now involved earlier in projects.
  - How Council engaged with contractors and capacity of contractors to deliver work.
  - Importance of planning out future works with contractors to provide certainty.
- Adjustments made to Annual Plan every year to take account of carry-forwards. Funds held in reserve for incomplete capital projects. The historic nature of the carry-forwards issue was discussed.

**ACTION:** Staff to provide an update report at the December Committee meeting, including status on delivery of initiatives.

Cr Smith joined the meeting at 11.50am during discussion on the above item.

### Chief Financial Officer Report Agenda Item 7.6

The report was received [ref A&R2009/01] and summarised by the Chief Financial Officer. The following matters were discussed:

- Affordability to communities was a significant issue considered by the organisation. This was reflected in Council sitting well under its debt capacity given the impact debt had on rates.
- Payment for, and affordability of, infrastructure projects going forward; the Council was not currently over-demanding of developers.



- Extensive powers of the Unitary Development Authority, which Council needed to take into account as part of future planning.
- Work done by the Funding and Partnership Manager with the Mayor's office in keeping an open dialogue with central government on what Council was doing and planned initiatives.

### Audit & Risk Committee Key Achievements

#### Agenda Item 7.7

The report was received [ref A&R2009/01] and taken as read.

### KPMG Assessment of Flexible Working Review

#### Agenda Item 7.8

The report was received [ref A&R2009/01]. Mr Sutton and Ms Wyborn (KPMG) provided highlights from the report:

- Good work undertaken by management in this space.
- Integration of people, projects and places into one overall programme of work.
- Risk assessment and prioritisation; work to be done detailing risk mitigations and actions over specified timeframes.
- Emerging risks would arise as the work programme was implemented, which would need to be monitored.

The following matters were discussed:

- The Projects & Innovation Manager was the project manager, with support from the Chief Information Officer and People & Capability Manager.
- Acknowledged that reporting on risk assessments should include the Committee and Council, as well as the Executive Leadership Team.
- Disconnect between management and political wing in relation to the organisation's journey; communication and maintaining relationships were important.
- Recognised staff responded differently to significant changes, and the process undertaken to ensure all staff had the opportunity to feedback and be part of the changes.
  - Speed of changes and flexibility required.
  - Work on the project had commenced pre-Covid

Quality and Governance Assurance

Agenda Item 7.9

The report was received [ref A&R2009/01] and taken as read.

2019/20 Annual Report Update

Agenda Item 7.10

The report was received [ref A&R2009/01] and taken as read.

Updated Future Work Plan

Agenda Item 7.11

The report was received [ref A&R2009/01] and taken as read.

Register of Interests – Elected and Appointed Members

Agenda Item 7.12

The report was received [ref A&R2009/01] and taken as read.

**EXCLUSION OF THE PUBLIC**

Agenda Item 8

**ACTION:** Items 2.2 (*Member conflicts of interest – Office of Auditor-General response and steps taken by the Council*) and 2.3 (*Cyber Security*) in the Public Excluded Agenda to be deferred to the next Committee meeting.

**Resolved: (Mayor Sanson/Cr Gibb)**

**THAT the public be excluded 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
I – Confirmation of Minutes	Good reason to withhold exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
2.4 Register of Members' Interests – Senior Staff		

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 I		Refer to the previous Public Excluded reason(s) in the agenda for that meeting.
Item 2.4	7(2)(a)	To protect the privacy of natural persons, including that of deceased natural persons.

**AND THAT the Audit NZ representatives 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&R2009/03**

*Resolutions A&R2009/04 – A&R2009/05 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 12.40pm.

Minutes approved and confirmed this            day of            2020.

Margaret Devlin  
**CHAIRPERSON**