

**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, 9 DECEMBER 2020** commencing at **9.30am**.

**Present:**

Ms M Devlin (Chairperson)  
His Worship the Mayor Mr AM Sanson [*until 11.10am and then from 11.28am until 12.45pm*]  
Cr AD Bech  
Cr JA Church  
Cr JM Gibb  
Cr JD Sedgwick

**Attending:**

Mr C Susan (Director, Audit NZ)  
Ms G Wyborn (KPMG) via Audio-Visual – *Item 7.9: KPMG Resource Consents Revenue Process Review*

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 C Morgan (General Manager Community Growth)  
Mr K Abbott (Projects & Innovation Manager)  
Mr G King (Chief Information Officer)  
Ms V Jenkins (People & Capability Manager)  
Ms K Jenkins (Risk Advisor)  
Mr C Bailey (Finance Manager)  
Ms K Wellington (Project Management Office Manager)  
Ms C Pidduck (Legal Counsel)  
Ms L Shirley (Zero Harm Manager)  
Ms S Quinn (Procurement Manager)  
Ms S Solomon (Corporate Planner)  
Mr B Stringer (Democracy Manager)

**APOLOGIES AND LEAVE OF ABSENCE**

All members were present.

## **CONFIRMATION OF STATUS OF AGENDA ITEMS**

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

**THAT** the agenda for a meeting of the **Audit & Risk Committee** held on **Wednesday, 9 December 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;

**AND FURTHER THAT** in accordance with **Standing Order 9.4** the order of business be changed with agenda item **7.9 (KPMG Resource Consents Revenue Process Review Report)** being considered after agenda item **5 (Actions Register)**

**CARRIED**

**A&R2012/01**

## **DISCLOSURES OF INTEREST**

The Chair, Ms Devlin, advised members of the Committee that there were references to Watercare 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.

Cr Church advised members that there were references to the Wellbeing Trust in the Annual Report (Item 6.1), for which she was a member.

## **CONFIRMATION OF MINUTES**

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

**THAT** the minutes of a meeting of the **Audit & Risk Committee** held on **Wednesday, 23 September 2020** be confirmed as a true and correct record of that meeting.

**CARRIED**

**A&R2012/02**

## **ACTIONS REGISTER**

The report was received [ref A&R2012/01] and the Chief Operating Officer noted that there were a number of items which would be considered at the December workshops. The following matters were discussed:

- Action 2 - Strategic Risk Register: Communications & Engagement Strategy best considered as an update in the Risk Register rather than the Actions Register.
- Action 7 - Risk Appetite Review: No feedback received as yet on the updated Appetite Statement which was circulated.

## **REPORTS**

Item 7.9 was then considered by the Committee.

### **KPMG Resource Consents Revenue Process Review** Agenda Item 7.9

The report was received [ref A&R2012/01].

Ms Wyborn, KPMG summarised the report and its findings, and highlighted the following points:

- Control environment was effective.
- Follow-up process for late payment of invoices – some occasions where time period stipulated had not been met.
- Time recording/charging and on-charging of consultant costs were areas for improvement.
- Benchmarking of resource consent charging.

The Chief Operating Officer noted that management was supportive of the report and the recommendations. In response to questions, the following matters were noted:

- Staff would assess the process and resources available to give effect to the recommendation in relation to invoicing.
- Unable to test closed applications report – this was performed on a live basis so sample testing on an historic basis was not possible. It would be useful to be able to review past information.

**ACTION:** The recommendations from the KPMG report to be included in the Actions Register.

### **2019/20 Annual Report** Agenda Item 6.1

The report was received [ref A&R2012/01]. The Finance Manager summarised the report and highlighted the following:

- The Committee was requested to review the Annual Report from a risk perspective.

In response to questions, the following matters were discussed.

- Revaluation of bridges and roading and impact on ongoing forecasting. The Chief Financial Officer provided the background to, and rationale for, the revaluation stated in the report and noted the benefit of more accurate financials and depreciation calculations.

- Audit NZ's proposed qualification to the audit
  - The Chair noted her interest as a director of Watercare.
  - Mr Susan, Audit NZ, addressed the Committee to provide the background of how Audit NZ approached its review of the information sought and obtained from Council staff.
    - i. There was insufficient information on the response times for callouts for wastewater issues.
    - ii. Audit NZ gave serious consideration before contemplating a qualified audit, and continued to work with Council management on the matter.
    - iii. Change in how Audit NZ looked at information provided this financial year following training, compared to previous financial years. Acknowledgment from Audit NZ that Council had not approached the issue differently for 2019/20 compared to the prior financial year.
    - iv. The matter was highlighted to Council staff two months ago.
  - The Chief Financial Officer summarised how Watercare would manually manage the response time process until an improved process was in place; which was part of the transition.
  - Timing of issue being identified to Council to be able to address and respond to Audit NZ.
  - Concern expressed by Committee members as to materiality of the issue that led to the proposed qualification.
  - The Chief Financial Officer referred to the learnings for Council going forward, in particular to having controls in place to be able to verify data collated is complete. Issue addressed by the Waters Governance Board at its recent meeting.
  - There would be a meeting with the Office of the Auditor-General after the Committee meeting to discuss the matter and Council's concerns.
- Covid-19 – staff had been requested to itemise more detail on what Council did or did not do, including reference to wage subsidy uptake.

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

**THAT** subject to receiving final clearance from Audit New Zealand, the Audit & Risk Committee recommends to Council the adoption of the Annual Report 2019/20 (as attached to the staff report) from a risk perspective;

**AND THAT** the Committee notes that there would be further discussion with the Office of the Auditor-General on the proposed audit qualification;

**AND FURTHER THAT** improvements to the Annual Report process be captured, and progress on actions be reported to the 10 March 2021 Committee meeting.

**CARRIED**

**A&R2012/03**

Strategic Risk Register and Emerging Risks – December 2020  
Agenda Item 7.1

The report was received [ref A&R2012/01]. In speaking to the report the Risk Advisor highlighted the following points:

- December workshops – include discussions on changes to the Risk Appetite and identified risks.
- Where there were gaps between residual risk rating and appetite (p26 of the Agenda) – identified programme of works to address the gaps; which were not expected to show results every quarter.

In response to questions the following matters were discussed:

- Cyber security and risk of physical loss of Council devices
  - safety controls, including the ability to remote wipe devices, and encryption were in place on all Council devices;
  - staff culture in place to take responsibility for Council devices and respond appropriately should there be a loss.
- Covid-19 and resilience.

**ACTION:** Staff to check whether reference to the 2015-45 Infrastructure Strategy on p39 in the Agenda (Asset Management) is correct, or should be 2018-48.

- Impact of forecasting and how Council could deliver services and correlation with population statistics. Population projections to be considered at the Council meeting on Monday, 14 December 2020.

The Risk Advisor summarised the Emerging Risks report and the following matters were discussed:

- Staff were documenting how Council would manage Covid-19 going forward.

- Climate Resilience Action Plan to be presented to the December Council meeting for approval, and reflected in the Infrastructure Strategy and Asset Management Plans going forward. This should include impact, for example of the approach to solid waste.
- Mr Susan suggested that that climate change should be reflected in the Strategic Risk Register, rather than emerging risks.

**ACTION:** Staff to investigate and capture the evolving national issues and requirements in relation to climate change, and Council's response (e.g. recent climate emergency declaration).

- Staff were confident that there were sufficient partners and resources in place to assist Council in relation to upcoming issues.
- Covid-19 and dealing with community interests and cross-boundary issues.
  - Acknowledged there were some issues outside the Council's control.
  - Reports compiled for Waikato District Council and from a regional perspective, as well as discussions held by the Chief Executive and Mayor with relevant Ministers.

**ACTION:** Staff to circulate report(s) previously prepared in relation to cross-boundary issues arising from dealing with Covid-19 and provide a summary on future steps to be taken.

At the request of the Zero Harm Manager, the Committee considered Item 7.3 prior to Item 7.2.

### Zero Harm Update Agenda Item 7.3

The report was received [ref A&R2012/01]. In speaking to the report, the Zero Harm Manager highlighted the following points:

- How the team had addressed completing activities in the current financial year.
- Zero Harm successes:
  - Building contractors' capability and training for contractors and Council's contract managers.
  - Dealing with critical risks (e.g. asbestos)
  - Dangerous animals' bowtie – 60 controls were now in place and gap analysis completed. How staff had been, and would be, engaged in the processes and controls discussed.
- Work Safe Home Safe event for 2021

In response to questions, the following matters were discussed:

- Dangerous animal bowtie and ensuring this reflected our different customer bases and needs, including education, engagement and enforcement.

- Stress at work
  - Zero Harm had started to address through a number of bowties (e.g. workplace violence, dangerous animals) and was considering whether stress/fatigue deserved its own bowtie.
  - Sleep and stress would be topics at the 2021 Work Safe Home Safe week.
  - Safety engagement conversations with managers discussed mental health and wellbeing issues.
  - Vitae service available to staff – offline and office visits, with an anonymised report presented to management each month identifying trends/general issues.
  - Surveys were undertaken during Covid-19 to track how staff were feeling, so that the organisation could respond with support as required.

**ACTION:** Zero Harm Manager to provide context to training as detailed in the staff report to better understand whether level of training completed was in line with expectations.

### Waikato District Council Zero Harm Safety Management System Review Agenda Item 7.2

The report was received [ref A&R2012/01]. The Zero Harm Manager summarised the report, outlined the objective of the management system review, and highlighted the following:

- Documented systems were evolving.
- Overlapping PCBUs and how the risk was allocated between them (e.g. Raglan Wharf) – management of risks to ensure safety of users in conjunction with other PCBUs.
- Flexible working – how to deal with health & safety risk for staff working at home.
- Completed 75% of actions from KPMG audit. Work underway to address remaining actions.

In response to questions the following matters were discussed:

- Additional resource for the Zero Harm team canvassed in a business case to be considered as part of the LTP.
- Collaboration with Waikato LASS and across other councils, particularly in respect of legislative compliance.
- Utilisation of other agencies' models when developing a safety management system, tailored to ensure it was sustainable for Council's needs.
- Challenge to resource internal auditing capability; trialling in the New Year.

## Risk Conversations – Project Management Office

### Agenda Item 7.4

The report was received [ref A&R2012/01]. The Chief Operating Officer introduced the Project Management Office Manager and noted that the report focussed on the PMO team and processes, rather than project management across the organisation.

The following matters were discussed:

- Summary of the five risks identified (page 84 of the Agenda)
  - Cultural matters of working with the Executive Leadership Team to better engage and connect with staff and identify what good looks like.
  - Focus where priorities should be to achieve low risk.
- Early discussions on a project prioritisation tool and building into CAMMS.

Mayor Sanson withdrew from the meeting at 11.10am during discussion on the above item.

## Strategic Risk Deep Dive – People & Capability

### Agenda Item 7.5

The report was received [ref A&R2012/01]. In speaking to the report, the Risk Advisor provided the context for the report, and the People & Capability Manager highlighted the following points:

- Retaining talent and promotion within the organisation.
- Low staff turnover (5% currently compared to average 14-16% per annum).
- Flexibility and business continuity; decrease in sick leave taken.
- Increase in annual leave entitlement – monitored to ensure staff were taking adequate breaks.

In response to questions, the following matters were discussed:

- Inherent Risk Score and associated work that was underway:
  - Staff survey between the period of Covid-19 and when the report was written.
  - Additional work and intense monitoring to be undertaken over the next 12-18 months.
- Reputational risk should elected members not be able to fulfil their representative function due to insufficient staff resource to deal with constituent queries.
  - Resourcing dealt with via the LTP in relation to delivery of services.
  - Team BCPs in place to identify process should resources not be available.



- Reputational risk was dealt with through other work programmes and information available via the Council website.
- Engagement and ‘employer of choice’ aspirational goal:
  - example of teams each discussing their flexible working arrangements and to build into team plans in the New Year.
  - Zero Harm programmes, Vitae, Wellbeing Collective, tracksuit inc. – available to all staff and well-publicised.

Mayor Sanson returned to the meeting at 11.28am during discussion on the above item.

### CAPEX Project Delivery Capability – Update Agenda Item 7.6

The report was received [ref A&R2012/01] and the Chair provided context to the capital delivery programme. The General Manager Service Delivery summarised the reports on activities recently undertaken and noted that the status report attached to the staff report was a manual collation of information.

**ACTION:** Staff to provide waters’ projects capital expenditure financials for the 2020/21 year to Committee members.

In response to questions, the following matters were discussed:

- Issues that could derail the capital delivery programme included contractors not delivering on time, inadequate supply of services, and discovery of unknown issues as a result of more detailed planning. The importance of having regular conversations with stakeholders was noted.
- Cost impact of delays to delivering capital works.

**ACTION:** An update would be provided to the Committee at the March 2021 meeting.

### Insurance Renewal 2020 Agenda Item 7.7

The report was received [ref A&R2012/01] and the Chief Financial Officer highlighted the following points:

- Staff were working with Aon on how best to address significant increases, particularly liability-type cover.
- Material damage cover – situations where excess is approximately the same as the cost to replace/restore damage.

In response to questions, the following matters were discussed:

- Relatively low premium for commercial motor cover due to WLASS involvement.

- Staff were comfortable that the level of cover stated was sufficient and nothing material was missing. It was noted that for some cover, Council relied on disclosure of information by other parties (e.g. Te Kauwhata Waters Association).

**ACTION:** A report to be provided to the Committee at the March 2021 meeting on the level of risk associated with other party disclosures.

Chief Financial Officer Report  
Agenda Item 7.8

The report was received [ref A&R2012/01]. In speaking to the report, the Chief Financial Officer highlighted the following points:

- Infrastructure cost to service growth – developers had borne a substantial part of the cost for private plan changes to date; staff expected that planning and servicing costs for infrastructure would increase for Council in the future (including to acquire land), which would be considered as part of the Long Term Plan.
- Expected increase in costs to service three waters (including reforms).
- Using rates system to impose levies for Kainga Ora development.
- MBIE proposing that the Central Government Procurement Rules become mandatory for local authorities, not just best practice.

In response to questions, the following matters were discussed:

- Level of rates paid compared to property capital value.
  - Work undertaken by the Productivity Commission on where costs should lie.
  - Insufficient scale of properties to make large infrastructure development/upgrades affordable (e.g. half of properties not connected to water supply). Challenge in the way local government was funded.
  - Funding tools available to local government were not always helpful in relation to affordability of services.
- Conversations required with Central Government in relation to tension between the provision of infrastructure/services by local government and costs/affordability, to resolve how these were to be funded going forward.

**ACTION:** To use opportunities, including the LTP, for Council to tell a strong story on assumptions made for funding decisions required and conversations undertaken with Central Government in relation to funding of infrastructure/services.

- Significant forecast assumptions need to be supported by evidence that can be audited.

Quality & Governance Assurance

Agenda Item 7.10

The report was received [ref A&R2012/01] and taken as read.

Updated Future Work Plan

Agenda Item 7.11

The report was received [ref A&R2012/01] and taken as read.

Register of Interests – Elected and Appointed Members

Agenda Item 7.12

The report was received [ref A&R2012/01] and taken as read.

**EXCLUSION OF THE PUBLIC**

Agenda Item 8

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

**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
Item number 1.1 – Confirmation of Minutes	Good reason to withhold exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
Item number 2.1 – Fraud Declaration		
Item number 2.2 – Fraud and Corruption Risk Management Update		
Item number 2.3 – Cyber Security (Updated)		

Item 2.4 - Member conflicts of interest – Officer of Auditor General response and steps taken by Council		
Item 2.5 - 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 1.1 Confirmation of Minutes		Refer to the previous Public Excluded reason in the agenda for this meeting.
Item number 2.1 – Fraud Declaration	7(2)(a)	To protect the privacy of natural persons, including that of deceased natural persons.
	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 number 2.2 – Fraud and Corruption Risk Management Update	7(2)(a)	To protect the privacy of natural persons, including that of deceased natural persons.
	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 number 2.3 – Cyber Security (Updated)	7(2)(b)(i)	To protect information where the making available of the information would disclose a trade secret.
	7(2)(b)(ii)	To protect information where the making available of the information would be likely unreasonably to

- prejudice the commercial position of the person who supplied or who is the subject of the information.
- 7(2)(e) To avoid prejudice to measures that prevent or mitigate material loss to members of the public.
- 7(2)(j) To prevent the disclosure or use of official information for improper gain or improper advantage.
- Item 2.4 - Member conflicts of interest – Officer of Auditor General response and steps taken by Council 7(2)(a) To protect the privacy of natural persons, including that of deceased natural persons.
- Item 2.5 - Register of Members' Interests – Senior Staff 7(2)(a) To protect the privacy of natural persons, including that of deceased natural persons.

**AND THAT Mr Susan, Audit NZ representative, be permitted to remain at this meeting, after the public has been excluded, because of his 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&R2012/04**

*Resolutions A&R2012/05 – A&R2012/07 are contained in the public excluded section of these minutes.*

Having resumed open meeting and there being no further business the meeting was declared closed at 12.55pm.

Minutes approved and confirmed this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

Margaret Devlin  
**CHAIRPERSON**