

Minutes for a meeting of the Audit & Risk Committee of the Waikato District Council to be held in Council Chambers Galileo Street, Ngaruawahia on **MONDAY, 19 JUNE 2023** commencing at **9.30am**.

Present:

Mr P Stubbs (Chairperson)
Cr Gibb (Deputy Chairperson)
Her Worship the Mayor, Mrs JA Church
Deputy Mayor, Cr C Eyre
Cr P Thomson (from 12:02pm)

Attending:

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

Mr G Ion (Chief Executive)
Ms A Diaz (Chief Financial Officer *(via audio-visual conference)*)
Mr G King (Chief Information Officer)
Mr C Morgan (General Manager, Community Growth)
Mrs S O’Gorman (General Manager, Customer Support)
Mr K Abbott (Executive Manager, Projects & Innovation)
Ms K Rhind (Senior Communities & Engagement Advisor)
Mrs L Shirley (Zero Harm Manager)
Mr D Tisdall (Risk Advisor)
Mr D Sharma (Contractor – Three Waters Reform)
Ms R Leahy (Democracy Advisor)

The Executive Manager, Projects & Innovation opened the meeting with a Karakia.

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Crs Gibb/Eyre)

That the Audit and Risk Committee accepts the apologies from:

- a. Cr P Thomson for lateness; and**
- b. Cr M Raumati for non-attendance.**

CARRIED

A&R2306/01

CONFIRMATION OF STATUS OF AGENDA

Resolved: (Crs Gibb/Eyre)

THAT the agenda for a meeting of the Audit and Risk Committee held on Monday, 19 June 2023 be confirmed:

- a. in accordance with Standing Order 9.4 the order of business be changed with the Reports taken in the following order: Agenda Item 6.3, Agenda Item 6.1, Agenda Item 6.7, Agenda Item 6.5, Agenda Item 6.4, Agenda Item 7.1, Agenda Item 7.2, Agenda Item 7.3, Agenda Item 6.6 and Agenda Item 6.2; and**
- 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. all reports be received.**

CARRIED

A&R2306/02

DISCLOSURES OF INTEREST

There were no disclosures of interest.

CONFIRMATION OF MINUTES

Resolved: (Her Worship the Mayor, Mrs JA Church/Cr Gibb)

THAT the minutes for a meeting of the Audit & Risk Committee held on Wednesday, 15 March 2023 be confirmed as a true and correct record.

CARRIED

A&R2306/03

ACTIONS REGISTER

The report was received [*A&R2306/01 refers*] and no discussion was held.

REPORTS

Deep Dive Community Expectations

Agenda Item 6.3

The report was received [*A&R2306/02 refers*], and the following discussion was held:

- The Community Engagement Strategy was currently under review. Once the final draft was complete, it would go out to Mana Whenua, Community Boards, and the wider community for feedback.
- The Chair requested that measurables that gauge the impact on the community be included in the Communications and Community Engagement Strategies.
- It was noted that the Waikato District had a diverse community and staff were interested in ascertaining how those communities determined success.

- Due to the vast geographical area of the district, Council had faced challenges engaging with the right Mana Whenua. Staff were trying to maintain and build on existing relationships.
- Staff were also working on a Maaori Engagement Strategy and framework.
- It was noted that despite robust community engagement, this did not always equate to community satisfaction in terms of delivery.

Resolved: (Mr Stubbs/Cr Gibb)

That the Audit and Risk Committee:

- requests the Communications and Engagement Team report back to the Audit & Risk Committee once the Communications and Community Engagement Strategies had been developed, including how and when impact would be measured.**

CARRIED

A&R2306/04

Chief Financial Officer Report
Agenda Item 6.1

The report was received [A&R2306/02 refers], and the following discussion was held:

- Council would deliver 45 per cent of the Capital Works budget this year, however, the national average was 65 per cent. It was noted that this was the first year Council had the works planned ahead of time.
- *The outstanding CAPEX works programme was being rolled into the next financial year, is this feasible?* Reports to the Infrastructure Committee showed a trend that works were being completed in a quicker time frame than past years.
- Staff reiterated they were confident in delivering the capital works projects in the next year due to the fact they were no longer affected by market constraints.

ACTION: An assessment of the EPMO performance to be included in the next year's external audit plan with Audit NZ.

- The Chief Financial Officer highlighted that the main concern with carry forwards budgets were that Council had lost the time-value of money, which in an inflationary environment was very important.
- *What if we have a year like 2023 and are affected by cyclones etc. and normal business is put on hold?* Part of the planning process now included risk mitigation of when and how works could start. For example, upcoming works did not involve a lot of earth works which meant they did not need to wait until the drier season.
- *In terms of team resourcing 'a team member leaving may impact on the business', is that a conservative impact?* There was a contingency plan in place to mitigate this. The challenge was that there was a new budgeting system in place and the team member leaving was the subject matter expert on that system. However, other staff had now been trained to use the system.

- Concern was raised about uncontrollable impacts on Council. It was noted that in the Central Government budget there was a focus on building resilience within the roading network.
- Discussion was held on how projects were categorised and reported on to the Infrastructure Committee.

ACTION: The Chairperson and Executive Manager, Projects & Innovation to discuss a project delivery report for the Audit & Risk Committee that tracks projects on a 'red, amber, green' basis.

Audit Plan for the year ending 30 June 2023
Agenda Item 6.7

The report was received [*A&R2306/02 refers*], and the following discussion was held:

- The Chairperson would like the Committee to be more involved in the Audit Plan process in future years.
- Audit NZ stated that there were two new financial standards being introduced.
- A discussion was held on auditing the Annual Plan and Long-Term Plan. It was noted that the audits would be carried out separately, with two engagements running at the same time.

Resolve: (Crs Gibb/Eyre)

That the Audit and Risk Committee approves the Audit Plan for the year ending Friday, 30 June 2023.

CARRIED

A&R2306/05

Cyber Security Update
Agenda Item 6.5

The report was received [*A&R2306/02 refers*], and the following discussion was held:

- With suppliers and contractors having increased access to Council information, systems like the Human Resources Information System had becoming increasingly important to Council.
- Overseas there had been a change in the tolerance towards data breaches and an increased appetite to sue organisations for data breaches.
- Cyber-attacks pose a significant risk to Council with most cyber-attacks being state sponsored. Organisations such as councils were not the intended target but were collateral damage.
- A request was made that future updates refer back to this paper and progress on meeting targets noted therein.

Resolved: (Her Worship the Mayor, Mrs JA Church/Cr Eyre)

That the Audit and Risk Committee:

- a. **supports the plan to reduce the residual risk pertaining to Cyber Security.**

CARRIED

A&R2306/06

Waikato District Council Zero Harm Update
Agenda Item 6.4

The report was received [A&R2306/02 refers], and the following discussion was held:

ACTION: The Zero Harm Manager to provide the Chairperson with a copy of the Health and Safety Governance Activity Plan.

- There was a legislative requirement to have a Safety Action Team that represents workers and held the organisation accountable.
- The review of the Zero Harm Safety Management identified gaps and highlighted opportunities for critical risk management and how that was reported to Governance.
- The external auditor encouraged the Zero Harm Team to refocus their attention to bow tie risk mitigation methods.
- Workplace violence remained a critical risk for Council, staff reported incidents of verbal abuse and threats.
- Since April 2023, there had been two incidents where staff were subjected to threats involving replica firearms. Both incidents were responded to differently by staff involved which led the Zero Harm Team to review the emergency response procedures for an armed intruder.
- Additionally, the next round of front counter safety training would take place in their usual workspace. This was because the response to an incident may be reliant on the layout of the workspace.
- During the audit process, Audit NZ raised a concern about the ability to complete the critical control verification for the workplace violence risk when the risk mitigation was based on behavioural controls on how staff respond.
- The Zero Harm Team had recommended to the Executive Leadership Team that an independent review be carried out on the 'workplace violence risk'.
- *Do we bench-mark against other councils and can we partner with other councils?* There was some opportunity for collaboration through Co-Lab, however, in terms of partnering on critical risk management, collaboration with other councils was limited.

The meeting adjourned at 11:00am and resumed at 11:12am.

Quality & Governance Assurance Update

Agenda Item 7.1

The report was received under [A&R2306/02 refers], and the following discussion was held:

- The staff led internal audit schedule would focus on specific internal processes.

Updated Future Work Plan

Agenda Item 7.2

The report was received [A&R2306/02 refers], and the following discussion was held:

- The Chairperson raised a concern that he could not attend the next Committee meeting and requested the date be changed. It was noted that the Committee meeting date was critical for the Annual Report.

ACTION: Democracy Team to work with the Chief Operating Officer and Chief Financial Officer to find an alternative Committee meeting date.

Register of Interests – Elected and Appointed Members

Agenda Item 7.3

The report was received [A&R2306/02 refers], and the following discussion was held:

- It was noted that all Councillors had returned their 'Pecuniary and Non-pecuniary interests' forms to the Democracy Team.

Independent Internal Audit Programme and Framework Report

Agenda Item 6.6

The report was received [A&R2306/02 refers], and the following discussion was held:

- A concern was raised that the Committee had no way of critiquing how staff came up with the internal audit programme and that under the Terms of Reference the Committee should be approving the programme.

ACTION: Future Internal Audit Programme reports to include staff analysis underpinning the internal audit plan.

- A concern was raised that five (5) internal audit projects had been identified but there was only budget for two.
- The 'Procurement', 'Contract Management' and 'Development Agreements' audits were recommended to be audited first. However, both were going through a transition period with technology systems, which meant they would not be audited for a further six (6) months.
- The Committee agreed to defer approving the internal audit programme until the next meeting.

Strategic Risk Register and Emerging Risks
Agenda Item 6.2

The report was received [A&R2306/02 refers], and the following discussion was held:

- Concern was raised on the number of strategic risks increasing to 14. The Committee was limited by the number of meetings and Council was limited by resource to address and mitigate these risks.
- Concern was raised about combining or reducing the number of strategic risks. If 14 risks had been identified, then Council should not focus on some risks at the expense of others. It was noted that reducing the number of strategic risks did not mean the risk was not being managed by staff, however, it did mean that the Audit & Risk Committee would not have a deep dive into that risk.
- The Chief Executive advised that significant resource was put into the Audit & Risk Committee meetings. Increasing the number of meetings would result in extra resource put towards undertaking deep dives on the strategic risks rather than doing general BAU and mitigating the risks.
- Audit NZ acknowledged that some of the strategic risks were being monitored by Senior Management and suggested that a limited number of risks be reported to the Committee.
- A discussion was held on combining some of the strategic risks into one overall 'operational risk' that could be monitored by management and reported to the Committee.
- The Chairperson observed that there were three (3) risk categories; operational risks that were being monitored by Senior Management, risks that were important to the Committee to monitor through reporting, and significant risks that required deep dives.
- The Chairperson will meet with management to develop a framework whereby all 14 Strategic Risks will have oversight albeit the A&R Committee will deep dive on a number able to be supported with it's capacity.
- The Committee agreed to change the name to the 'Risk & Assurance Committee'.

Resolved: (Mr Stubbs / Cr Gibb)

THAT the Audit and Risk Committee:

- a. **note that following agreement between the Chairperson and Management on the future framework for overseeing all 14 strategic risks, this framework will be presented to council for adoption.**

THAT the Audit and Risk Committee recommends that Council:

- a. **agree to change the Audit & Risk Committee's name to the Risk & Assurance Committee.**

CARRIED

A&R2306/07

Cr P Thomson entered the meeting at 12:02pm during Agenda Item 6.2.

EXCLUSION OF THE PUBLIC

Resolved: (Crs Gibb/Eyre)

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 ComplyWith Legal Compliance Survey Results Item PEX 3.3 Register of Interests - Senior Staff Item PEX 3.4 Audit NZ Time with Committee	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.

