

**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 13 DECEMBER 2017** commencing at **9.00am**.

**Present:**

Ms M Devlin (Chairperson)  
His Worship the Mayor Mr AM Sanson  
Cr AD Bech  
Cr JM Gibb  
Cr BL Main  
Cr JD Sedgwick

**Attending:**

Cr DW Fulton  
Cr RC McGuire  
Cr SD Lynch  
Cr NMD Smith  
Mr GJ Ion (Chief Executive)  
Mr TG Whittaker (General Manager Strategy & Support)  
Mr T Harty (General Manager Service Delivery)  
Mrs RJ Gray (Council Support Manager)  
Ms A Diaz (Finance Manager)  
Ms L Shirley (Zero Harm Manager)  
Ms K Anderson (Zero Harm Advisor)  
Mr K Abbott (Organisational Planning & Project Support Team Leader)  
Mrs M Baena-Escamilla (Continuous Improvement Analyst)  
Ms M Russo (Corporate Planner)  
Mr A Marais (GIS Team Leader)  
Mrs M Proctor (Audit Manager Audit New Zealand)  
Mr L Pieterse (Director Audit New Zealand)  
Mr D Sutton (KPMG)

**APOLOGIES AND LEAVE OF ABSENCE**

All members were present.

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

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

**THAT** the agenda for a meeting of the **Audit & Risk Committee** held on **Wednesday 13 December 2017** be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 7 which shall be discussed with the public excluded;

**AND THAT** all reports be received;

**AND FURTHER THAT** the following items be discussed at an appropriate time during the course of the meeting:

- **Heavy Items Contained in Ceiling Space**
- **Havelock North Report.**

**CARRIED on the voices**

**A&R1712/01**

## **DISCLOSURES OF INTEREST**

There were no disclosures of interest.

## **CONFIRMATION OF MINUTES**

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

**THAT** the minutes of a meeting of the **Audit & Risk Committee** held on **Tuesday 31 October 2017** be confirmed as a true and correct record of that meeting.

**CARRIED on the voices**

**A&R1712/02**

## **REPORTS**

Waikato District Council Health and Safety Framework  
Agenda Item 5.1

The report was received [A&R1712/01].

The Chief Executive introduced the newly appointed Zero Harm Manager, Lynn Shirley, to the members. The report was taken as read.

The Chief Executive provided an overview of the report and questions raised were answered by the Chief Executive and the Zero Harm Manager:

- The Zero Harm Manager advised that a review against the current quality standards is currently underway to ensure that the appropriate standards are being used.

- Safety Action Team: the team meets monthly and considers issues raised eg air conditioning and issues at the Tuakau office, eg fire alarm and air conditioning. It was noted that most issues have been rectified. The safety action team will become a more effective part of the health and safety system going forward.

### Zero Harm Update

#### Agenda Item 6.1

The report was received [A&R1712/01].

The report was taken as read.

The Chief Executive provided a brief overview of the report and noted that the monitoring engagement with safety conversations indicated the need for all conversations to be recorded.

Information was provided on the following issues:

- Drug and Alcohol Policy: all testing is post incident, random testing has not been implemented at this stage.
- Overspeeds are addressed as firstly a safety concern rather than simply breaking the law. There was discussion on how the newly implemented speed increase to 110kph on two main roads; Cambridge section of the expressway and the Eastern section of the Tauranga expressway would be addressed. The Chief Executive advised that neither of these routes were used frequently by WDC staff.
- A new desk top and phone app has been introduced that enables the logging of a near miss or incident that is automatically included in the system and also allows for the recording of safety conversations.
- Agreed that a site visit be organised in 2018.

### Contract Spend Review

#### Agenda Item 5.2

The report was received [A&R1712/01].

The report was taken as read.

In speaking to the report the General Manager Strategy & Support provided the following points:

- The Chief Executive met with the senior leadership team and made clear his expectations of checking policies are correct rather than just complying with them. There was also a conversation regarding the team members providing support to the requirements of the Procurement Manager's role.

- Internal audits are being carried out to ensure processes are on track along with training of staff.
- Extended Contracts: A concern was raised in respect of a recent example of extending a contract beyond the contract date prior to the approval of the increase in approved contract sum. It was agreed that Council needed to be more proactive with awareness of contracts reaching their expiry date. Mr Sutton, KPMG, agreed that the consideration of reviewing contracts for further funding at the commencement of the financial year is good practice.
- An update is required for the March meeting on progress of this review. The Director Audit New Zealand was comfortable with the approach that has been adopted, and having regular updates. KPMG confirmed that in their view the approach being proposed was solid.

It was agreed that:

- The issues of the role of the Procurement Manager had been addressed by reinforcing the support required to the SLT members and there is now an additional resource of a support person in procurement.
- The renewing of contracts would be dealt with in a proactive manner.
- A report will be provided by the Procurement Manager to the Audit & Risk meetings.
- There is an opportunity to look at a systemised monitoring concept as a bridging process.
- A progress report based on the action plan contained in the report will be provided to the March 2018 meeting.

### Final Management Report for Year Ended 30 June 2017

#### Agenda Item 6.2

The report was received [A&R1712/01].

The report was taken as read. The report for Council was considered first in the discussion.

Mrs Proctor provided an overview of the audit process. She advised there were two new issues raised, but were more of a reminder to the changes in the Construction Contracts Act in March 2017 and to be aware of reviewing the process and compliance with the Holidays Act.

Mrs Proctor thanked the Finance Manager and her team for the good progress made.

Discussion was held around the following issues:

- The Holidays Act: accruals of holidays - no concerns were raised regarding staff not taking holidays. It was noted that Managers have a dashboard report that identifies leave and the organisation KPI states a maximum of 25 days can be accumulated. There were some challenges around staff backpay, and this is currently being

addressed. Three reviews of the payroll system have been undertaken and no issues were found. Reviews were carried out prior to going live with Datacom and review of their controls and parallels were carried out. It was noted that the system is compliant in respect of the Holidays Act. Council has good documentation on leave when staff change their roles. A report is provided from Datacom on the audit of their systems. A request was made for staff to request a statement from Datacom stating they are compliant in respect of risk and the Holidays Act.

- IT issues: monitoring and reporting on IT service performance, change management, review of users who have remote access and process of approving card access to the computer room were raised for discussion. It was noted that some have been addressed and continuing to work on the remainder. Having no timeline for the recommendations was discussed but advised that the timeline is included in a further report that is provided. There was a recommendation from Audit New Zealand to prioritise a number of items of which the General Manager Strategy & Support advised that the high risk recommendations had been dealt with in the first instance. The IT Team is still working through the other recommendations.
- The General Manager Strategy & Support had discussed with the Director of Audit NZ the capitalisation of assets and an update on the recommendation will show progress has been made at the next meeting. The Director Audit New Zealand advised he was happy with the progress made and this will be confirmed next year.
- Reimbursement of expenses/proberty and expenses: elected members mileage claim forms are approved by the Council Support Team with miscellaneous items signed off by the Chief Executive. Expense claims for the Mayor are signed off by the Chief Executive and Deputy Mayor. There is a clear criteria of what is signed off.
- Credit card – Council has one card and under the control of the Chief Executive that has a modest limit. It was noted the importance to have a proper process in place that stands up to scrutiny.

The General Manager Strategy & Support provided an overview on the annual report of Strada:

- Alcohol spend: discussion had been held with the Chair of Strada and it had been agreed in writing that the alcohol spend would be reimbursed to Strada.
- Vehicle Sale: An explanation of the process of the sale of vehicles to related persons of the Chief Executive was received.
- The Director Audit New Zealand was concerned that the process did not go well for the auditing of Strada and expressed concern with meeting statutory deadlines and an issue of vehicles sold to related persons of the Chief Executive. Due process was not followed and this was raised in the management report. An explanation was provided in a letter from the Chair of Strada. He was however comfortable that based on the work carried out by Audit NZ the value received for the vehicles did reflect the market value and as such there was no detriment to Strada in respect of these sales.

- Bring accounting issues in-house: the Chief Executive is to have further discussions with the Director Audit New Zealand regarding this.
- In summary, the concerns raised in the report need to be addressed as a matter of urgency to mitigate the current risk. Management were also requested to ensure that the reimbursement in respect of the alcohol purchases is made.

### Update on Process Audit and Quality Improvement

#### Agenda Item 6.3

The report was received [A&R1712/01].

The Continuous Improvement Analyst took the report as read.

There were no concerns raised and the focus next year is on a work plan on process improvement.

### Post Implementation Review – Easier Consenting Project

#### Agenda Item 6.4

The report was received [A&R1712/01].

The report was taken as read. The Consents Manager answered questions from the members.

- A significant amount of work was done in a short space of time to comply and the effort made by the team was noted.
- The process was comprehensive and the report clarified where Council is at and the risks going forward.
- Future Enhancements – gap in terms of submissions not in line with online ability for plan changes: a full end to end digital solution to cover has not yet been explored for the consenting process, but an online portal for customers to see tracking has been discussed.
- Natural Hazards – part of legislation changes included an emphasis to how natural hazards should be evaluated when Council is processing subdivisions.
- High risks remaining in the business - a project scope is to be signed off and to commence in late January in terms of getting the team to do this and are engaging a specialist to assist and vet what is created, and help with training.

In summary, it was agreed that an update on progress of the risks be provided to the March meeting. The Committee acknowledged the work completed on this project.

December Update on Progress Against Audit Issues  
Agenda Item 6.5

The report was received [A&R1712/01].

The report was taken as read. In speaking to the report, the Corporate Planner answered questions of the members.

- IT matters – concern with the issues that are identified as pending or to be confirmed to be addressed. Significant movement will be made in the near future and will be identified in a report to the next meeting. There has been significant work around DR and recovery systems in Tuakau.
- Request to capture date of issue when first raised to be included in the schedule.
- Councillors have provided support to Council to progress two key additional roles in the IT area that are part of the LTP business planning.

Updated Future Work Plan  
Agenda Item 6.6

The report was received [A&R1712/01].

The report was taken as read and invitations have been sent for dates in 2018.

Heavy Items contained in the Ceiling Space  
Additional Item

There have been reports of media contacting Councils regarding heavy items contained in ceiling spaces, in particular air conditioners. A request was made to provide a report to the next meeting on this.

Havelock North Report  
Additional Item

The General Manager Service Delivery advised that a report on this item would be provided to the Infrastructure Committee in the New Year.

## **EXCLUSION OF THE PUBLIC**

Agenda Item 7

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

**THAT** the report of the Chief Executive be received;

**AND THAT** the public be excluded from the meeting to enable the **Audit & Risk Committee** to deliberate and make decisions on the following items of business:

a. **Confirmation of Minutes dated 31 October 2017**

### **REPORTS**

a. **Fraud Declaration**

This resolution is made in reliance on section 48(1)(a) and 48(2)(a) of the **Local Government Official Information and Meetings Act 1987** and the particular interest or interests protected by sections 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part(s) of the proceedings of the meeting in public are as follows:

**Reason for passing this resolution to withhold exists under:** **Ground(s) under section 48(1) for the passing of this resolution is:**

**Section 7(2)(a)**

**Section 48(1)(a)(d)**

b. **Register of Members' Interests – Elected Member and Senior Staff**

This resolution is made in reliance on section 48(1)(a) and 48(2)(a) of the **Local Government Official Information and Meetings Act 1987** and the particular interest or interests protected by sections 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part(s) of the proceedings of the meeting in public are as follows:

**Reason for passing this resolution to withhold exists under:** **Ground(s) under section 48(1) for the passing of this resolution is:**

**Section 7(2)(f)(h)(i)(j)**

**Section 48(1)(3)(a)(d)**

