

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 on **THURSDAY 29 MARCH 2018** commencing at **1.05pm**.

Present:

Ms M Devlin (Chairperson)
His Worship the Mayor, Mr AM Sanson [until 3.48pm]
Cr AD Bech
Cr JM Gibb [until 2.42pm and from 2.44pm]
Cr BL Main

Attending:

Cr SD Lynch
Mr GJ Ion (Chief Executive)
Mr TG Whittaker (General Manager Strategy & Support)
Mrs S O’Gorman (General Manager Customer Delivery)
Ms J Remihana (Acting General Manager Service Delivery)
Mrs RJ Gray (Council Support Manager)
Ms A Diaz (Finance Manager)
Ms L Shirley (Zero Harm Manager)
Mr K Abbott (Organisational Planning & Project Support Manager)
Mr K Pavlovich (Acting Waters Manager)
Mr M Willcock (Chief Information Officer)
Ms M Russo (Corporate Planner)
Mrs M Baena-Escamilla (Continuous Improvement Analyst)
Mr R Java (Procurement Manager)
Ms S Quinn (Procurement Officer)
Mr L Pieterse (Director Audit New Zealand)
Ms M Proctor (Audit Manager Audit New Zealand)
Members of staff

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Crs Main/Bech)

THAT an apology be received from Cr Sedgwick.

CARRIED on the voices

A&R1803/01

It was noted that the Chair had received feedback ahead of the meeting from Cr Sedgwick.

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Crs Gibb/Main)

THAT the agenda for a meeting of the Audit & Risk Committee held on Thursday 29 March 2018 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 in accordance with Standing Order 9.4 the order of business be changed with agenda item 6.6 [*Havelock North Inquiry: Stage Two Discussion Paper*] being considered as the first report on the agenda.

CARRIED on the voices

A&R1803/02

DISCLOSURES OF INTEREST

The Chair, Ms Devlin, advised members of the committee that there were references to Watercare and Waikato Regional Airport in reports in the agenda. She declared an interest as a Director of Watercare and Waikato Regional Airport. It was also noted that there were no decisions required in respect of Watercare nor of Waikato Regional Airport.

CONFIRMATION OF MINUTES

Resolved: (Crs Gibb/Bech)

THAT the minutes of a meeting of the Audit & Risk Committee held on Wednesday 13 December 2017 be confirmed as a true and correct record of that meeting.

CARRIED on the voices

A&R1803/03

REPORTS

Havelock North Inquiry: Stage Two Discussion Paper Agenda Item 6.6

The report was received [A&R1803/2 refers] and taken as read. In speaking to the report, the Acting Waters Manager highlighted the following points:

- from the recommendation of Stage Two there does not appear to be any issue with the infrastructure, but there are significant challenges in the operations sector.
- Council supports the six principles of drinking water management detailed in the report.

Project Brief for Natural Hazards RMA Changes 2017 Agenda Item 5.1

The report was received [A&R1803/2 refers] and taken as read. It was noted that the focus is on the consenting area to establish a new natural hazards risk assessment evaluation for subdivisions with natural hazards. Discussions are being held with other Waikato Councils regarding potential cost sharing.

In summary it was acknowledged that this remains a high risk to Council. However the current work stream will provide a tool that will create a more robust process for both Council and customers. The team is currently working with other Councils to get a better outcome. In the meantime the risk is being managed on a case by case basis. It was also emphasised that in completing this work, Council should not become too risk averse.

Post Incident Review – Generator Failure on 22 January 2018 Agenda Item 5.2

The report was received [A&R1803/02 refers] and taken as read. In speaking to the report, the Acting General Manager Service Delivery provided a brief overview and answered questions from the members.

Concern was expressed on the cost to Council of this failure. The Committee requested that Management capture the learnings from this incident, such as the need to ensure providers' records on Council infrastructure are accurate as Council was receiving mixed messages at the time, eg WEL.

The Chair suggested that a formal response be written to WEL.

Audit Management Report on Long Term Plan Consultation Document for the Period 1 July 2018 to 30 June 2028
Agenda Item 5.3

The report was received [A&R1803/02 refers] and taken as read. In speaking to the report, the Audit New Zealand Audit Manager highlighted the following points:

- Good communication with the staff and the Finance Team managing the tight timeframes.
- Activity management plans get slightly out of date with reiterations when considering priorities and moving projects around.
- Infrastructure Strategy: noted that there are some opportunities for good practice that have been incorporated in the final draft. To have discussions with Management for inclusion of these in future strategies.
- Performance framework will be covered with the Long Term Plan audit in June.

The Chair agreed that this is a tight timeframe for June but noted the assurances from the Finance Manager.

Current Practices and Culture of Waikato District Council's Workplace Harassment and Bullying
Agenda Item 5.4

The report was received [A&R1803/02 refers] and taken as read. The Human Resources Manager answered questions of the members.

Discussion was held on:

- Child Protection Policy and the vetting of staff dealing with young children.
- Harassment and Bullying Policy: it was noted there is an emphasis to all staff to become proactive in reporting what is seen. This was also pertinent to Councillors. His Worship the Mayor advised he would re-emphasise this matter to all Councillors and that the Council has no tolerance of any form of bullying or harassment.

The Committee requested Management review the current procedure in respect of subcontractors.

Risk Appetite Statement
Agenda Item 5.5

The report was received [A&R1803/02 refers] and taken as read. In speaking to the report, the Organisational Planning & Project Support Manager advised changes were reflected in the Risk Appetite Statement.

Discussion was held on:

- the graphic enablers for Zero Harm and People and Culture not reflecting a zero harm risk. The Committee confirmed a zero risk appetite for Health and Safety and Fraud.
- cyber security – important for staff to follow the policy and procedures in place given the level of activity in the wider environment.

The Chief Executive advised that Council is prepared to take moderate risk around growth in the interest of being more agile in promoting growth. It was agreed that the Chief Executive would encourage managers to think differently and be innovative, to have a culture of quality, accountability, and give staff encouragement and freedom about how to do things differently to give overall effect to ratepayers.

It was noted that frameworks are in place to mitigate risk in Council. The Committee requested that risk mitigations need to include oversight of the deliverables.

Resolved: (Crs Gibb/Main)

THAT the Audit & Risk Committee recommends adoption of the Risk Appetite Statement to Council.

CARRIED on the voices

A&R1708/04

Waikato District Council Zero Harm Safety Management System
Agenda Item 6.1

The report was received [A&R1803/02 refers] and taken as read. In speaking to the report, the Zero Harm Manager highlighted the following points:

- Contractor Management, Event Management and Hazard and Risk Management – reviewing current contracts at low/high risk, relationships and safety plans, and what other organisations are doing for risk standards.

The Chair requested monthly statistics be provided to the next meeting.

The Chief Executive spoke of a zero harm presentation held with staff regarding work safe home safe aimed at reminding people about the importance of health and safety. Councillors commended the staff on the presentation.

The Chief Executive advised that there was a potential issue around leptospirosis in the Ngaruawahia dog pound. Appropriate steps are being taken in terms of exposure to staff in respect of this situation.

Annual Report 2017/2018

Agenda Item 6.2

The report was received [A&R1803/02 refers] and taken as read. In speaking to the report, the Corporate Planner highlighted the following points:

- Timeline is comparative to last year.
- The Committee will view a copy of the annual report at the September 2018 meeting prior to adoption by Council on 8 October 2018.

The Audit New Zealand Director spoke of the annual report and summary complying with legislation. The focus for FY18 will be on property plant and equipment, property revaluations and property plant not being revalued and development contributions. Audit New Zealand will review the controls Council has in place for fraud risk to ensure staff follow procurement and financial processes.

Management confirmed that the valuation process has been programmed and will be completed within the year end timetable.

The Audit New Zealand Director spoke of sensitive expenditure as being in the auditing standards of the Auditor-General. The Chair requested that any trends identified be discussed with the General Manager Strategy & Support.

It was noted that the multi-year focus by the Office of the Auditor General is on water – quality of water in rivers, and wastewater and treatment with the Havelock north scenario incorporated into the scheme.

Cr Gibb withdrew from the meeting at 2.42pm during discussion on the above item and returned at 2.44pm at the commencement of discussion on the following item.

March Update on Progress against Audit Issues

Agenda Item 6.3

The report was received [A&R1803/02 refers] and taken as read by the Corporate Planner. Discussion followed on:

- Staff resourcing requirements.
- IM calendar and disaster recovery management have progressed significantly.
- Cyber security system controls pending.
- Good progress with issues identified, hoping to be completed by end of June 2018.

The Chair expressed concern with actions still active in 2017 that need to be addressed. The General Manager Strategy & Support agreed to liaise with the Organisational Planning & Project Support Manager to review issues that may need culling. A request was made to provide a report to the next meeting to identify what is current and relevant.

Update on Process Audit and Quality Improvement

Agenda Item 6.4

The report was received [A&R1803/02 refers] and taken as read. In speaking to the report, the Continuous Improvement Analyst highlighted the following points:

- More mature group of auditors now.
- Working on five minor recommendations received from the Ministry of Primary Industries in recognising the Environmental Health Team as verifiers.
- Encouraging staff to review processes.

The Committee noted the level of progress being made.

Risk Management Policy

Agenda Item 6.5

The report was received [A&R1803/02 refers] and the Continuous Improvement Analyst took the report as read. Discussion was held on the revised policy. The Committee supported the revised strategy.

Updated Future Workplan

Agenda Item 6.7

The report was received [A&R1803/02 refers] and taken as read and noted that a site visit is organised to visit the Ngaruawahia dog pound following the June Audit & Risk Committee meeting.

Risk statement – the Chair proposed that strategic risks would be reviewed on a rolling basis at each Audit & Risk Committee meeting. This would include assessing the effectiveness of the identified risk mitigations.

EXCLUSION OF THE PUBLIC

Agenda Item 7

Resolved: (Crs Gibb/Main)

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:

Confirmation of Minutes dated 13 December 2017

REPORTS

a. Procurement Manager's Report

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 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)(b)(ii)(i)

Section 48(1)(3)(d)

b. Contract Spend Review March

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 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)(b)(ii)(i)

Section 48(1)(3)(d)

c. Risk Assessment of Council Controlled Organisations' Draft Statement of Intent

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 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)(b)(ii)(i)

Section 48(1)(3)(d)

d. Fraud Declaration

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 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)

e. Strada Corporation Limited

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 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)(b)(ii)(i)

Section 48(1)(3)(d)

f. Register of Members' Interest – Elected Members and Senior Staff

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 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),(i)(h),(i),(j)

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

g. Committee Time with Audit New Zealand

The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 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)(g)(h)(i)(j)

Section 48(1)(a)(d)

AND FURTHER THAT Ms Devlin (Chair), Mr Pieterse and Mrs Procter (Audit New Zealand) remain in the meeting after the public has been excluded to chair/facilitate the discussion on items in PEX 7 [Public excluded items] in the public excluded section of the meeting.

CARRIED on the voices

A&R1708/05

Resolutions A&R1803/06 – A&R1803/08 are contained in the public excluded section of these minutes.

