

**MINUTES** of a meeting of the Audit & Risk Committee of the Waikato District Council held by Audio-Visual Conference on **WEDNESDAY, 3 JUNE 2020** commencing at **9.30am.**

**Present:**

Ms M Devlin (Chairperson)  
His Worship the Mayor Mr AM Sanson [*until 10.55am and then from 11.40am*]  
Cr AD Bech  
Cr JM Gibb  
Cr JA Church  
Cr JD Sedgwick

**Attending:**

Mr C Susan (Audit Director, Audit NZ)

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 Abbot (Projects & Innovation Manager)  
Mr G King (Chief Information Officer)  
Mr J Quinn (Communications, Engagement and Marketing Manager)  
Ms K Jenkins (Risk Advisor Advisor)  
Mrs L Shirley (Zero Harm Manager)  
Mr B Stringer (Democracy Manager)  
Ms G Brady (Democracy Advisor)

The Chairperson welcomed Mr Susan, Audit Director (Audit NZ) to his first meeting of the Audit & Risk Committee.

**APOLOGIES AND LEAVE OF ABSENCE**

All members were present. Mayor Sanson advised that he would retire from the meeting at 11.00am to attend another meeting, in his capacity as Mayor.

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

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

**THAT the agenda for a meeting of the Audit & Risk Committee held on Wednesday, 3 June 2020 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.**

**CARRIED**

**A&R2006/01**

## **DISCLOSURES OF INTEREST**

Cr Church noted her interest as Chairperson of the Wellbeing Trust, in item 6.1 – *Chief Financial Officer Report* - however did not believe this constituted a conflict of interest.

## **CONFIRMATION OF MINUTES**

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

**THAT the minutes of a meeting of the Audit & Risk Committee held on 2 December 2019 be confirmed as a true and correct record of that meeting.**

**CARRIED**

**A&R2006/02**

**ACTION:** The report on Cyber Security (scheduled for the March 2020 Committee meeting) to be presented at the next Committee meeting.

## **ACTION LIST**

Agenda Item 5

The report was received [ref A&R2006/01] and the Chief Operating Officer spoke to the report. The following matters were discussed:

- Staff would explore, with the Chair, options for training of Committee members, including reviewing information available from the Office of the Auditor-General.
- Strategic Risk Register – Stakeholder engagement:
  - Recent workshop with elected members and Community Board/Committee chairs on engagement
  - Staff working on engagement at a strategic level; the Committee would see changes flow from this.

**ACTION:** Staff to revisit the Committee's previous minutes to ascertain whether this was still an outstanding issue and, if so, what further action is required. The Committee to be updated at its next meeting.

## **REPORTS**

### Chief Financial Officer Report Agenda Item 6.1

The report was received [ref A&R2006/01] and the Chief Financial Officer summarised the report. The following matters were discussed:

- Wage subsidy received for staff of Raglan Holiday Park.
- Local Government Funding Agency - Council had to be compliant with debt: revenue ratio at all times.
- Liquidity risk
  - approximately \$700,000 behind where the organisation expected to be in terms of rates recoverability due to Covid-19.
  - expectation that amount recovered from fees and charges may reduce, but not significantly in the immediate term.
  - not expecting any cashflow issues for next 6 months.
- Annual Plan
  - staff were targeting 30 June 2020 deadline for adoption of the plan; there was a legislative process available should adoption not occur by that date. Staff envisaged that this alternative process would be required only if formal public consultation was necessary.
  - staff were working on the communications that would accompany the Annual Plan.
- Procurement
  - work undertaken by the Recovery team to survey contractors and unsuccessful tenderers.
  - staff exploring how best to utilise local contractors as part of the Recovery plan; increased potential for conflict of interest noted.
  - internal resources and capability for procurement and delivery of projects; the need to look at how procurement was delivered across the organisation to meet best practice requirements. A business case was being prepared on this issue and actions were underway from the Covid-19 Recovery workstream.
  - staff have worked with WLASS on a regional procurement strategy, which was then tailored for Council. This would need to be reviewed in light of Covid-19.

**ACTION:** Staff to report back to the Committee on steps to mitigate the risks around procurement and capability to deliver projects.

- Recovery of expenses from Covid-19 from third parties/governmental organisations
  - Staff comfortable with the process to recover costs.
  - EOC with Hamilton was winding down; staff were returning to their normal duties and matters would transition back to relevant ministries.

- Staff were confident there was appropriate prevention and detection mechanisms in place to identify fraud or attempted fraud, notwithstanding the adjusted processes required during Covid-19.
- Internal audit on how the Council managed processes during Covid-19 lockdown (e.g. staff working from home, IT security, fraud, delegations).

**ACTION:** Mr Susan confirmed Audit NZ would be looking at these matters as part of their review.

- Scenario modelling had been undertaken for cashflow, but not for the Annual Plan. It would be utilised as part of the Long Term Plan.
- Staff intended to continue weekly financial update reports for elected members.

### Business Resilience – COVID-19 Reflection and Action

#### Agenda Item 6.2.1

The report was received [ref A&R2006/01] and the Risk Advisor summarised the report and highlighted the organisation's learnings and opportunities through the Covid-19 pandemic. The following matters were discussed

- Cybersecurity risk
  - less of a risk for iPads than a Microsoft device due to inability of third party to access core applications, storage could not be extracted, and encryption at hardware and software levels. Anti-virus software was not available for iPads.
  - VPN and anti-virus software installed on all Council devices to mitigate the increased risk of staff accessing Council information from home networks.
- Innovation and gains from the Covid-19 lockdown and how the organisation could capitalise on learnings and to ensure work was delivered effectively and efficiently going forward.
- Summary of how risk register in the report was created. The register had been reported to the Recovery team and Executive Leadership Team

His Worship the Mayor withdrew from the meeting at 10.55am at the conclusion of the above item.

### Zero Harm Update

#### Agenda Item 6.2.2

The report was received [ref A&R2006/01] and the Zero Harm Manager spoke to the report and highlighted, and responded to questions on, the following matters:

- Staff had commenced review of the organisation's obligations with staff working from home and identifying risks arising from this.

- Overspeed incidents during the Covid-19 lockdown. Staff were still reviewing; safety conversations had been held with relevant staff.
- Reported safety conversations would be presented in a different format going forward.
- Critical risks as reported remain current; staff would review and capture learnings on how to manage a pandemic risk. This included insights from customers and staff; further work was being undertaken.
- Audits undertaken on some contractors in relation to their return-to-work plans to ensure they were robust.
- Collaborative arrangement with the Waikato DHB to identify responsibilities between the parties during Covid-19.
- Transitioning to Alert Level 1 and implications for the Council as an arm of government at the local level.
- KPMG Report:
  - Committee comfortable to be the responsible body for monitoring safety critical risks from a governance perspective.

**ACTION:** The Chief Executive to draft changes to the Committee's delegations to reflect the additional responsibility.

- Staff were progressing the review of new content for the dashboards provided.

#### Audit NZ Annual Audit Proposal

##### Agenda Item 6.3.1

The report was received [ref A&R2006/01] and the Chief Financial Officer and Mr Susan spoke to the report. The following matters were discussed:

- Increase in audit fees for 2019/2020 reflected adjusted number of hours required. Higher fee increases were expected in the following years.
- Audit work undertaken remotely during lockdown.

The Chairperson suggested that:

- a note on the impact of Covid-19 should be included in the financial statements for 2019/20; and
- the Committee's expectation of efficient delivery of audit services; any difficulties experienced by Audit NZ needed to be flagged early.

#### Quality and Governance Assurance

##### Agenda Item 6.3.2

The report was received [ref A&R2006/01] and was taken as read. The following matters were discussed:

- Staff expected to meet the deadline for striking rates; the alternative process previously discussed would be required should Council need to consult with communities on the Annual Plan.

**ACTION:** Staff to check and confirm that the deficiencies in the rate-setting process was in how it was documented; not that rate-setting was undertaken incorrectly.

- The reasoning for the delay in implementing a contract management system; the gap for which was highlighted during Covid-19.

**ACTION:** Staff to advise Committee members that processes are in place for reviewing Council policies to ensure Council was compliant.

Staff to review the hyperlinks in the report which were for linked to internal-networked documents that Committee members could not access.

### Updated Future Workplan Agenda Item 6.3.3

The report was received [ref A&R2006/01] and was taken as read. The Chairperson summarised the updated approach to the Committee's work programme.

### Register of Elected Members' Interests Agenda Item 6.3.4

The report was received [ref A&R2006/01] and was taken as read. There was discussion on:

- the impact of some members failing to complete their declaration of interest;
- collating information on the member and their partner only.

### **EXCLUSION OF THE PUBLIC** Agenda Item 7

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

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

**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:

