Audit and Risk Committee
OPEN MINUTES

Minutes of a meeting of the Audit and Risk Committee held in Council Chamber, 401 Grey Street, Hamilton East on Friday 9 March 2018 at 9.00am.

Chairperson H Stevens
Deputy Chairperson Cr J Hennebry
Present Cr B Simcock  
Cr H Vercoe
External Member G Naylor
Ex-officio Cr A Livingston

Staff V Payne – Chief Executive  
M Garrett – Chief Financial Officer  
K Bennett – Manager CE’s Office  
J Becker – Finance Manager  
G Dawson – Democracy Advisor
Apologies
(Agenda Item 1)

There were no apologies provided.

Confirmation of Agenda
(Agenda Item 2)

Cr Vercoe moved/ Cr Hennebry seconded

AR18/1

RESOLVED
THAT the agenda of the Audit and Risk Committee of 9 March 2018 as circulated be confirmed as the business for the meeting.

The motion was put and carried (AR18/1)

Disclosures of Interest
(Agenda Item 3)

There were no disclosures of interest noted.

SECTION A: (UNDER DELEGATION FOR THE INFORMATION OF COUNCIL)

Matters Arising from Previous Meetings minutes
(Agenda Item 4) Doc # 11611601 & 11300554

The Chief Financial Officer (M Garrett) outlined the actions and matters arising from previous Audit and Risk Committee meetings.

Arising from questions, answers and related discussion, the following matters were noted:
• A review of the Emergency funding arrangements between Local and Central Government is still to be consulted on.
• Implementation of the Total Mobility Ridewise system is likely later in 2018 subject to resource availability.
• The KPMG Fraud Risk assessment workshop will be included as part of the fraud policy review process.
• Clarification was asked in relation to the terms and conditions of insurance cover that the Council has.
• It was explained that the term ‘negative assurance’ provided on the annual report by the committee meant there were no material matters the Audit and Risk committee were aware that would impact on the Finance committee adopting the annual report.
• A change was requested to the minutes on page 23. The changed involved changing the word ‘conservations’ to conversations’.

H Stevens moved/ Cr Simcock seconded
AR18/2  RESOLVED
THAT the report ‘Matters arising from previous meetings minutes’ (Doc # 11611601 dated 28 February 2018) be received.

The motion was put and carried (AR18/2)
Cr Livingston moved/ Cr Vercoe seconded

AR18/3  RESOLVED
THAT the minutes of the Audit and Risk Committee meeting held on 1 November 2017 be confirmed as a true and correct record (Doc # 11300554).

The motion was put and carried (AR18/3)

Risk Management Activity and Key Projects Update
(Agenda Item 5) Doc # 11440273

The Manager - CE’s Office (K Bennett), Manager – People and Capability (N Ollington) and Audit New Zealand provided an update on Waikato Regional Council’s risk management activities and key project risks.

The following matters were discussed:

- Staff were asked to amend the explanation for the trend indicator for CORP7 as it was suggested that the term “Council is doing less with more” was not appropriate.
- Discussion around CORP9 centred around an update on the recent ICT spamming incident that had impacted on the ability of the email system to operate and function.
- The matter was resolved as fast as possible. The importance of moving to a culture of security awareness in relation to ICT was highlighted. Further investment in improving systems is also being investigated.
- The need ongoing vigilance in biosecurity was discussed, along with the importance of industry, local and central government working together effectively.
- The matter of high annual leave balances was raised. It was noted that those staff with high balances are being encouraged to take leave. In exceptional circumstances a cash in option is available, with it being noted that the approach has a financial cost and health and wellbeing implications for staff if they do not take regular holidays.
- The complaints process was discussed and the Committee requested that Public transport complaints be reported separately. The expense approval process was explained and a key principle being “one up approval” noting the Chair approved the CE expenses. It was noted that expenses of Councillors are monitored by the Finance Committee quarterly and it was requested that the CE expenses be included in this reporting.
- The matter of sensitive expenditure was raised, along with the need for vigilance in monitoring expenses of the Council.
- The matter of Disclosures of Interests was raised, along with the ways in which any real or perceived conflicts can managed or mitigated and the reliance placed on self-reporting. An update on the Long Term Plan project was provided. Jared Williams from Audit NZ advised the meeting that the Council is developing the Long term Plan to a high standard and only slight changes have been recommended to the current approach being used.
- The length of the consultation document was raised by a member and how effective this would be for engagement. It was noted that the length and format of the document needs to be fit for purpose given the extent of the proposals to appropriately engage with the public.
The Council will be using a targeted approach to communicating the Long Term Plan. It is hoped that there will be increased levels of engagement through this approach.

Audit New Zealand noted that the report must be attached to the Consultation document when it goes before the Council for adoption.

Cr Simcock moved/ Cr Livingston seconded

AR18/4

RESOLVED
THAT the report ‘Risk Management Activity and Key Projects Update’ (Doc # 11440273 dated 28 February 2018) be received.

The motion was put and carried (AR18/4)

Havelock North Water Inquiry Update
(Agenda Item 6) Doc # 11904260

The Manager, CE’s Office (K Bennett) presented the report of the Havelock North Drinking Water Inquiry: Stage 2 with regard to the potential implications for Waikato Regional Council’s roles, responsibilities and functions.

The following matters were discussed:
- Local government must work together and with Ministry of Health, public health units of the DHBs and others to address the matters raised in the report. It was noted that WRC staff were anticipating changes to legislation and had started implementing actions to enable implementation of key recommendations, including the establishment of Joint Working Groups.
- It was noted that the recommendations in the report sought to clarify roles and responsibilities in relation to the multi-barrier approach to provision of drinking water, from source to tap. –
- Future funding arrangements must reflect the operating reality for the Council and wider local government.
- The committee will be kept informed of the Council’s work programme and the implications of, and responses to, legislative change.

Cr Vercoe moved/ G Naylor seconded

AR18/5

RESOLVED
THAT the report ‘Havelock North Water Inquiry Update’ (Doc # 11904260 dated 28 February 2018) be received.

The motion was put and carried (AR18/5)

Policy Review Schedule Update
(Agenda Item 7) Doc # 11439871 & 11848741

Senior Legal Advisor (S Jones) provided an update on the Waikato Regional Council policies that are due for review/renewal this quarter.

The following matters were discussed:
- Staff had recently reviewed the Protected Disclosures Policy and were seeking Committee endorsement of the revised policy. Only minor changes had been made to improve ease of reading.
- It was noted that the Council is working towards building a culture where all staff, are empowered to speak up if they have concerns and understand how they can make a disclosure in line with the Protected Disclosures Act.
The point that not all internal policies must go through the Council was noted. These are typically operational policies within the scope of the Chief Executive’s delegated authority. The policy review schedule will in future identify which policies are Council policies and which are delegated to the CE.

H Stevens moved/Cr Livingston seconded

**AR18/6**

**RESOLVED**

THAT the report ‘Policy Review Schedule Update’ (Doc # 11439871 dated 28 February 2018) be received.

The motion was put and carried (AR18/6)

Chair moved/ Cr Livingston seconded

**AR18/7**

**RESOLVED**

THAT the Protected Disclosures Policy (Doc # 11848741) be endorsed.

The motion was put and carried (AR18/7)

**SECTION B: (FOR RECOMMENDATION TO COUNCIL)**

**Treasury Risk Management Policy Review**

(Agenda Item 8) Doc # 11873976, 11727504, 11725598 & 11831222

Finance Manager (J Becker) presented an updated Treasury Risk Management Policy for endorsement. In speaking to the report it was noted that the updated policy reflects Council’s decision as part of the 2018-2028 Long Term Plan to commence an external borrowing programme.

Arising from questions, answers and related discussion, the following matters were noted:

- It was noted that the Council will be joining the Local Government Funding Agency (LGFA) as the Long term Plan proposes that Council borrows externally. The LGFA will allow the Council to borrow at cheaper interest rates.
- The LGFA has its own credit rating and is fit for purpose for the local government sector.
- Council is taking appropriate legal and professional advice to manage the joining process.
- The proposed policy changes were based on recommendations from PWC.

Cr Livingston moved/Chair seconded

**AR18/8**

**RESOLVED**


The motion was put and carried (AR18/8)

Cr Livingston moved/Chair seconded

**AR18/9**

**RECOMMENDED**

THAT the Audit and Risk Committee endorse the Treasury Risk Management Policy (Doc # 11727504).

The motion was put and carried (AR18/9)
Meeting adjourned at 10.40am for morning tea and resumed at 10.55am

**External Audit Update**
(Agenda Item 9) Doc # 11872058 & 11869039

Staff provided an update on outstanding matters from previous audits and sought approval for the Committee Chair to sign the Audit Arrangements Letter for the 2017/2018 Annual Report audit when received.

The following matters were discussed:
- Audit New Zealand plan to modernise the way in which arrangement letters are set out and are now referred to as the audit plan. There will be no need to physically sign, however, there will still need to be a formal review from the delegated person within the Council.
- Management over-ride is an area that will be looked into by audit, Audit noted that disclosure of expenses and activities has proven to be an effective way of improving the level of transparency and accountability in the public sector.
- Key asset valuation would be reviewed as part of the audit.

Chair moved/Cr Livingston seconded

**AR18/10**
**RESOLVED**
THAT the report ‘External Audit update’ (Doc # 11872058 dated 23 February 2018) be received.

The motion was put and carried (AR18/10)

Chair moved/Cr Livingston seconded

**AR18/11**
**RECOMMENDED**
THAT the Chair of the Audit and Risk Committee be delegated authority to approve the Audit Plan for the 2017/18 year.

The motion was put and carried (AR18/11)

**SECTION A: (UNDER DELEGATION FOR THE INFORMATION OF COUNCIL)**

**Internal Audit Programme Update**
(Agenda Item 10) Doc # 11437580, 11905151, 11810493, 11904301 & 11905215

The Manager, CE’s Office (K Bennett) and KPMG provided a status update on the internal audit programme.

The following matters were discussed:
- It was noted that there is a need for ongoing focus on risk management and long term investment in infrastructure as part of the Long Term Plan process.
- In response to a member’s question about the reason for dams –mainly farm dams in this context - being on the priority list for asset management review, staff advised that dams were a new area of focus, whereas floodgates, pump stations, stopbanks etc were already captured in the review cycle.
Each catchment zone has different asset requirements that need to be addressed and the zone plans reflect this. Flooding was seen as a major risk and it was agreed that there was need to focus on drainage and flood control across all the zones.

Staffing levels and requirements were raised to implement the audit recommendations on asset management and it was noted that there was a business case approved in the LTP to increase asset management resourcing. It was noted that the progress made in the area of business continuity planning was positive overall and implementation of recommendations would provide even greater assurance.

The internal audit scoring assessment criteria was discussed and it was noted that there are some differences between overall external audit assessments reported to the committee and internal audit scores and results. Staff advised that this was due to the internal audit programme focussing not just on internal controls and areas of strategic importance but also those areas had been exposed to disruptive changes or that management identified as needing improvement or were developing.

G Naylor moved/Cr Vercoe seconded

AR18/12 RESOLVED
THAT the report ‘Internal Audit Programme Plan’ (Doc # 11437580 dated 28 February 2018) be received.

The motion was put and carried (AR18/13)

Waikato Regional Council Flood Protection Asset Risk Management
(Agenda Item 11) Doc # 11874812

The Manager Business and Technical Services (G Ryan) provided an overview of the work areas currently underway to manage the risk associated with the flood protection assets managed by the Waikato Regional Council, in particular progress that has been made since the last report (October 2017).

The following matters were discussed:

- It was noted that flooding is a major risk to Waikato communities and its economy. It was discussed how risk varies according to land use and type, and there is a need to establish clear community expectations around the level of service Council infrastructure provided.
- The Council will be implementing a strategic and targeted communications programme that will provide greater clarity around responsibilities, liabilities and level of service.
- Staff were asked to keep reporting on this matter.

H Stevens moved/ Cr Hennebry seconded

AR18/13 RESOLVED
THAT the report ‘Waikato Regional Council flood protection asset risk management’ (Doc # 11874812 dated 23 February 2018) be received.

The motion was put and carried (AR18/13)
Tauhei Flood Control Project
(Agenda Item 12) Doc # 11530178 & 11064567

The Director, Integrated Catchment Management (C Crickett) outlined the factors that contributed to an increased project cost estimate for the proposed Tauhei project, a chronology of reporting to Council and landowners, and business improvement measures taken as lessons learnt.

The following matters were discussed:

- It was acknowledged that a lack of scope, poor planning and project management systems and administration contributed to the problems that arose with the project. The gaps that have been identified have begun to be addressed and a robust system will be put in place to ensure that it does not happen again.
- The need for a balanced commercial and community approach to projects and infrastructure planning was raised. It was noted as a possible way to add further assurance of better project outcomes overall.
- The point was made that there is a need for greater awareness and understanding of the actual costs, challenges, and constraints that the Council faces in planning and developing infrastructure projects around the Waikato region.
- Staff agreed to provide a summary of the key actions arising from the lessons learnt and bring back a report in 12 months on the implementation of the actions

Cr Vercoe moved/Cr Hennebry seconded

AR18/14 RESOLVED
THAT the report ‘Tauhei Flood Control Project’ (Doc # 11530178 dated 26 February 2018) be received.

The motion was put and carried (AR18/14)

SECTION A: (UNDER DELEGATION FOR THE INFORMATION OF COUNCIL)

AR18/15 Resolutions to Exclude the Public

H Stevens moved/G Naylor seconded

RESOLVED
That the public be excluded from the following part/s of the 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:

<table>
<thead>
<tr>
<th>General subject of each matter to be considered</th>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
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<table>
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<tr>
<th>Item No</th>
<th>Interest</th>
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| 14, 15 | Protect information where the making available of the information  
(i) would disclose a trade secret; or  
(ii) would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information (Schedule 7(2)(b)) |
| 15 | 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  
(i) would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied; or  
(ii) would be likely otherwise to damage the public interest (Schedule 7(2)(c)) |
<p>| 15 | Avoid prejudice to measures that prevent or mitigate material loss to members of the public (Schedule 7(2)(e)) |
| 14, 15 | Maintain legal professional privilege (Schedule 7(2)(g)) |
| 15 | Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities (Schedule 7(2)(h)) |</p>
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<th>Item No</th>
<th>Interest</th>
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<tr>
<td>14, 15</td>
<td>Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (Schedule 7(2)(i))</td>
</tr>
</tbody>
</table>

The motion was put and carried (AR18/15)

Return to Open Meeting at 12.15

Meeting closed at 12.15

Doc 11912100