Waikato Regional Council
Audit and Risk Committee
OPEN MINUTES

Date: Monday, 13 May 2019, 9 am
Location: Council Chamber
Waikato Regional Council
401 Grey Street, Hamilton East

Members Present:
H Stevens (Chair – Independent Member)
Cr J Hennebry (Deputy Chair)
G Naylor (Independent Member)
Cr H Vercoe
Cr B Simcock
Cr A Livingston (ex-officio)
Cr Mahuta (ex-officio)

Staff Present:
J Becker (Chief Financial Officer)
L Van Veen (Democracy Advisor)
J Cox (Team Leader Democracy Services)
1. **Terms of Reference**

2. **Apologies**

   There were no apologies received.

3. **Confirmation of Agenda**

   The agenda of the meeting was accepted.

   AR19/16
   Moved by: H Stevens
   Seconded by: Cr Hennebry

   **RESOLVED (SECTION A):**

   THAT the agenda of the Audit and Risk Committee of 13 May 2019 as circulated be confirmed as the business for the meeting.

   The motion was put and carried

4. **Disclosures of Interest**

   There were no disclosures of interest noted.

5. **Matters arising from Audit and Risk Committee minutes 7 March 2019**

   Report to receive the minutes of the open session of the previous meeting and review the actions and matters arising.

   The report was presented by J Becker (Chief Financial Officer).

   During questions, answers and related discussion the following points were noted:

   - With respect to point four, a member requested trends over time for Employee Assistance Programme uptake. Staff undertook to provide this as part of reporting on this matter moving forward.
   - With respect to point five, a workshop had been held with key staff and three options had been presented as a way forward. A member requested that an assessment of the risks associated with each option be provided by way of a report at the next committee meeting. Staff undertook to provide this.
   - A member referred to the “Submission on the Productivity Commission’s inquiry into Local Government Funding and Financing” and its mention of treaty settlements which had been brought to the recent Strategy and Policy Committee. Staff undertook to circulate this to members.
   - David Walker (Audit NZ) provided a verbal update on materiality levels applied by Audit NZ. It was noted that materiality is determined on a case by case basis dependent on a range of factors. The materiality for sensitive expenditure is set at $0.
   - Members expressed that they had been provided with more specific detail of materiality when involved with other organisations. Mr Walker undertook to include considerations of materiality into the annual audit plan moving forward.
   - Members queried regarding the nature of the pre-election report. Staff advised that it was authorised by the Chief Executive and targeted to inform potential candidates for. Members were assured that the report was politically neutral and would not require council sign off. Staff undertook to provide a copy of the upcoming pre-election report to
committee members once it was ready for release to ensure it addressed areas of potential risk for the council.

- With respect to reporting on capital new works projects, staff advised that reporting was now included in Finance committee agendas to ensure governance oversight of these projects.
- A member queried the status of the Infrastructure Sustainability review of which staff advised that the scope was being defined. Findings from this review would be a key input that would inform the next Long Term Plan.
- With respect to the target for measuring customer satisfaction (NPS), members were advised that this had been agreed to be reported to the Environmental and Services Performance Committee. An annual trend in performance would also be reported to the Audit and Risk committee.

AR19/17

Moved by: Cr Vercoe
Seconded by: G Naylor

RESOLVED (SECTION A):
That the report Matters arising from Audit and Risk Committee minutes 7 March 2019 (Audit and Risk Committee 13 May 2019) be received.

RESOLVED (SECTION A):
THAT the minutes of the Audit and Risk Committee meeting held on 7 March 2019 be confirmed as a true and correct record.

The motion was put and carried

6. Risk Management Activity Update

Report to update the Audit and Risk Committee on Waikato Regional Council’s risk management activities and key project risks.

The report was presented by the Senior Legal Advisor (S Jones) and Strategic Risk Advisor (J Kana).

During questions, answers and related discussion the following was noted:

- A member noted there were a number of items marked as “in progress” and sought more detail to determine how these were being managed. This was to provide assurance that mitigation measures were appropriate and being undertaken in a timely manner. Staff undertook to provide this level of detail going forward by way of undertaking “deep dives” on particular risk areas at each future committee meeting.
- In response to a member’s query regarding whether treaty settlements had been included in the risk register, staff advised this was covered generally under corporate risk # 3 and also more specifically within the proposed risk register which was being put to the committee for consideration.
- A member referred to the corporate risk identified as “off track” and sought clarification of the status. Staff advised that the status was due to its dependence on the review of the Regional Pest Management Plan.
A member highlighted a lack of consistency between the scores within the high level summary table compared to the break down detail provided for the corporate risk status. Staff undertook to take this feedback on board as part of their work to roll out reporting under the proposed corporate risk register. It was noted that a review of current residual risk criteria and pre and post risk controls would also be undertaken.

A member queried regarding the level of risk within the iwi relationship space. Staff noted that controls would be in place to manage those aspects that council had control over, however they would be unable to manage risks associated with external factors. It was highlighted that as council operated within a political environment, the medium risk assigned to this risk was expected and unavoidable.

Staff noted the direction from central government to lift compliance amongst Territorial Authority activity under regional council jurisdiction. Staff highlighted this would test regional and territorial authority relationships, particularly where enforcement would be required.

A member raised the need for the proposed risk register to retain commentary regarding consequences, as this informed the level of risk.

A member highlighted the Submission on the Productivity Commission’s inquiry into Local Government Funding and Financing’s insight into the risks associated with climate change and financial sustainability.

A member highlighted there was opportunity for council to improve its uptake of electrical vehicles in its fleet.

With respect to Corporate Risk #1.3, members queried the level of commitment required by council and its role in supporting the Civil Defence Emergency Management Group (CDEMG). Staff undertook to seek clarification of the level of involvement needed to support the proposed Funding Policy for emergency response, as it was thought this might be outside scope for regional council.

Members queried if KPMG had reviewed the proposed Risk Management Framework. Staff undertook to have this review completed as part of the process to finalise the Risk Management Framework.

Staff advised the results of recent culture survey results. It was noted a high response rate achieved (being 83% compared to 60% when the survey was first undertaken in 2017). Culture was measured through the survey based on three behaviour types; aggressive/defensive, passive/defensive and constructive. Survey results had been positive, showing that the organisation is above the median range for humanistic and encouraging behaviour. Staff were investigating options to conduct the survey more regularly than the current two yearly cycle. This would provide more real time data.

In response to a member’s question regarding whether the survey had tested staff engagement levels, staff advised that culture was the main focus of the survey. This focus had been informed by key research recommending culture as more relevant to lifting performance compared to engagement.

A member raised potential risk associated with central government policy initiatives impacting on upcoming reviews by council. Staff undertook to review upcoming policy from central government in light of the work being undertaken on the regional plan review and to provide their findings at the next committee meeting.
THAT the report Risk Management Activity Update (Audit and Risk Committee 13 May 2019) be received, subject to the review of the proposed Waikato Regional Council Risk Management Framework being undertaken by KPMG.

The motion was put and carried

AR19/19
Moved by: Cr Vercoe
Seconded by: Cr Simcock

RECOMMENDED TO COUNCIL (SECTION B):

- THAT the updates to the Risk Management Framework as set out in the report Risk Management Activity Update (Audit and Risk Committee 13 May 2019) be approved, subject to the review of the proposed Waikato Regional Council Risk Management Framework being undertaken by KPMG; and

- THAT the updates to the Corporate Risks as set out in the report Risk Management Activity Update (Audit and Risk Committee 13 May 2019) be approved.

The motion was put and carried

7. **Key Projects Update**

Report to update the committee on 3 key projects being, Healthy Rivers, Hamilton to Auckland Commuter Rail and Project Reboot.

The report was presented by the Chief Financial Officer (J Becker).

During questions, answers and related discussion the following was noted:

- The Chief Executive (V Payne) noted a meeting had been held with the Healthy Rivers Plan Change 1 Hearings panel chair who had advised that more people had requested to be heard as part of the hearings process than originally anticipated and that this would impact on timing of the final decision. A final decision was now likely to occur after the triennial election.

- A member highlighted submitter feedback regarding the high cost to them of being engaged in the Healthy Rivers Plan Change 1 hearings process. The member undertook to provide the committee with more details of these costs. Members requested the submitter also provide details of costs associated with involvement with other related regional council plan change processes.

- Staff assured members that the New Zealand Transport Agency board targeted funding assistance rate of 75.5% for funding of the Hamilton to Auckland Start-up Passenger Rail Service pre-implementation work had been secured.

- Staff advised they had chosen to implement the current Waikato ticketing system as part of the new railway service, however this was subject to negotiations with our key partners. It was considered that this ticketing system would provide stronger control over fares and concessions. Buy-in from key partners was critical to the success of the ticketing system as this would ensure a streamlined approach across the service, maximising patronage uptake.
• Initiation of the Corporate Systems Replacement Project had commenced, with the mobilisation of resources occurring through to the end of May.
• A member queried regarding the timing of the next KPMG review of the Corporate Systems Replacement Project and noted the importance of the committee keeping abreast of key items of interest. Staff advised that the next KPMG review would be scheduled to review the initiation processes of the implementation project.
• A member requested whether updates on key projects could be provided in an easy to read table templated format. Staff undertook to provide this going forward.

AR19/20
Moved by: Cr Livingston
Seconded by: G Naylor

RESOLVED (SECTION A):
That the report Key Projects Update (Audit and Risk Committee 13 May 2019) be received.

The motion was put and carried

8. Policy Review Schedule Update
Report to provide an update on the Waikato Regional Council policies that are due for review/renewal this quarter.

The report was presented by the Senior Legal Advisor (S Jones). There were no questions or further discussion on the item.

AR19/21
Moved by: H Stevens
Seconded by: Cr Livingston

RESOLVED (SECTION A):
That the report Policy Review Schedule Update (Audit and Risk Committee 1 May 2019) be received

The motion was put and carried

9. Business Continuity Activity - Update
Report to update the Audit and Risk Committee on Waikato Regional Council’s business continuity activity.

The report was presented by the Strategic Risk Advisor (J Kana).

During questions, answers and related discussion the following was noted:

• A member noted that work to establish a better Business Continuity Plan was needed. Staff advised that recent workshops facilitated by external experts with key staff had highlighted gaps and that this had provided the direction needed to progress to a more desired state. Three workshops with the crisis management team had been scheduled over the remainder of the year to progress the work.
A member highlighted the need for the Business Continuity Plan to consider the impact of a new location and building next year, including proximity to the Civil Defence Emergency Management Team and facilities.

Staff undertook to provide an update on the Business Continuity activity at the next committee meeting.

AR19/22

Moved by: Cr Livingston
Seconded by: Cr Hennebry

RESOLVED (SECTION A):

THAT the Business Continuity Activity - Update (Risk and Audit Committee 13 May 2019) be received.

The motion was put and carried

10. Annual Conflict of Interest and Gifts Declaration and Staff Gifts Register for the period 1 October 2018 to 31 March 2019

Report on the annual staff conflict of interest and gifts declaration process, and to provide a summary of gifts received by staff during the period 1 October 2018 to 31 March 2019.

The report was presented by the Chief Financial Officer (J Becker).

During questions, answers and related discussion the following was noted:

- In response to a member’s query regarding the number of staff who had attended a client relationship morning tea, staff advised this had involved approximately 30 staff.

The meeting adjourned at 10.35am and reconvened at 10.45am

AR19/23

Moved by: G Naylor
Seconded by: Cr Hennebry

RESOLVED (SECTION A):

That the report Annual Conflict of Interest and Gifts Declaration and Staff Gifts Register for the period 1 October 2018 to 31 March 2019 (Audit and Risk Committee 13 May 2019) be received.

The motion was put and carried

11. Annual Leave, Wellbeing and Health and Safety Indicators

Report to update the Audit and Risk Committee on management of annual leave balances, staff wellbeing and key health and safety indicators.

The report was presented by the Manager People and Capability (N Ollington).

During questions, answers and related discussion the following was noted:
• Chief Executive (V Payne) advised of the recently established Careers page on the council website. This was to showcase staff and their day to day work in a way which would create enthusiasm and pride amongst staff and support staff retention.

• In response to a member’s question regarding the work undertaken to implement the new central government domestic violence leave legislation, staff advised that a council policy had been drafted and that adequate measures to protect staff privacy under the new policy had been implemented.

• A member requested that Employee Assistance Programme trend data be provided to the committee going forward. Staff undertook to provide this.

• In response to a member’s request for a status update of the incident reported to WorkSafe, staff advised that an internal ICAN investigation to understand the causal factors had been completed. Staff undertook to provide a more comprehensive update regarding the findings of the review at the next committee meeting.

• In response to a member’s query regarding whether staff are able to cash out high leave balances staff advised that council are in favour of leave being used and that cashing out leave was only approved in exceptional circumstances such as financial hardship.

• A member highlighted the contradiction between the policy, noting that no more than six weeks leave could be accumulated, however the report provided to the committee had highlighted staff accumulation of leave beyond this limit.

• A member queried the maximum leave staff were permitted to take at any one time. Staff advised that this would be negotiated between staff and their manager on a case by case basis.

AR19/24
Moved by: Cr Livingston
Seconded by: Cr Hennebry

RESOLVED (SECTION A):

THAT the report Annual Leave, Wellbeing and Health & Safety Indicators (Audit and Risk Committee 13 May 2019) be received.

The motion was put and carried

12. Internal Audit Programme Update

To provide the Audit and Risk Committee with a status update on the internal audit programme.

The report was presented by the Strategic Risk Advisor (J Kana).

During questions, answers and related discussion the following was noted:

• In response to a member’s query regarding reference to a change to the proposed KPMG internal audit programme, staff advised that this change would see staff and KPMG working together to develop a tool that could assist with the management of key recommendations from completed audits. The member was satisfied with this change provided the committee maintained adequate oversight of KPMG's audit findings.

• A member queried the costs of the cyber penetration test. Staff undertook to investigate and provide this cost to the committee.
• A member asked whether KPMG could provide the committee with updates on any concerns arising through in-progress audit reviews. It was noted that this would be particularly helpful when KPMG were unable to attend committee meetings. Staff undertook to investigate this with KPMG and report back to the committee.

AR19/25

Moved by: H Stevens
Seconded by: G Naylor

RESOLVED (SECTION A):

THAT the report Internal Audit Programme Update (Audit and Risk Committee 2 May 2019) be received.

The motion was put and carried

13. Waikato Regional Council flood protection asset risk management

Report to provide the committee with an update on the work areas currently underway to manage the risk associated with the flood protection assets managed by the Waikato Regional Council.

The report was presented by the Manager Integrated Catchment Management Business and Technical Services (G Ryan).

During questions, answers and related discussion the following was noted:

• A member queried the type of conversations that were occurring in the community after release of the “Come High Water” flood protection and awareness communications campaign. Staff undertook to investigate and provide feedback regarding this at the next committee meeting.

• Staff highlighted the opportunity that the Mystery Creek Field Days presented with regards to promotion of council assets and better educating the community of the way in which they could partner with council towards achieving best possible flood protection outcomes.

• The Chief Executive (V Payne) advised of the recently developed hazards portal which provided an online user interface enabling the public to retrieve property-specific natural hazard information. The second phase in the project would include providing the public with the ability to generate property-specific natural hazard reports, which would replace the current manual process of requesting information through staff.

• A member sought clarification regarding the recently appointed reliability engineer and maintenance planner and whether these roles were to fill the two roles sought to service the Reboot project. Staff advised that the two asset management roles were approved through the recent Long Term Plan to support the operations staff with planning and implementation of their works programmes. The Reboot project roles had been filled by one existing Asset Management Team member to enable the transition to the new system, as well as one new fixed term staff member. The existing staff member had been backfilled through another fixed term role.

• A member requested information to better understand the condition of council assets and to identify where the highest risk was within the network, particularly under high rainfall events. Staff undertook to investigate the best way to provide this information to the committee.
• A member queried whether staff held robust information regarding asset condition as well as maintenance and improvement needs. Staff advised this was part of the business case approved by council through the recent Long Term Plan and had resulted in the reliability engineer and maintenance planner roles being approved. These roles would provide the level of oversight sought.

AR19/26
Moved by: Cr Hennebry
Seconded by: Cr Livingston

RESOLVED (SECTION A):
THAT the report Waikato Regional Council flood protection asset risk management (Audit and Risk Committee 13 May 2019) be received.

The motion was put and carried

14. 2018/19 Annual Report - Accounting Estimates and Judgements

Report to provide the committee with an overview of the process for the preparation and approval of the accounting estimates and judgements that underpin the financial statements to be included in the 2018/19 Annual Report.

The report was presented by the Chief Financial Officer (J Becker).

During questions, answers and related discussion the following was noted:

• Staff noted that there were a number of items which are yet to be finalised. It was noted that these would be worked through between staff and the independent members ahead of the next committee meeting, to ensure that a review of these estimates and judgement had been undertaken before they were included in the annual report to be provided to Audit NZ.
• A member queried whether consideration had been given to the more frequent turnover of council vehicles and the potential for more favourable sales proceeds as a consequence. Staff undertook to investigate and provide feedback to the committee.

AR19/27
Moved by: G Naylor
Seconded by: Cr Hennebry

RESOLVED (SECTION A):
That the report 2018/19 Annual Report - Accounting Estimates and Judgements (Audit and Risk Committee 13 May 2019) be received and endorsed.

The motion was put and carried

15. Resolutions to Exclude the Public

AR19/28
Moved by: H Stevens
Seconded by: Cr Hennebry
RESOLVED (SECTION A):

THAT the public be excluded from the following parts 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:

Good reason to withhold exists under Section 7.

That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.

Section 48(1)(a)

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

2018/19 Annual Report - Public Excluded Accounting Estimates and Judgements

- To protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information (7(2)(b)(ii)).

Fraud Risk Management Framework Activity - Update

- To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (7(2)(i)).
- To prevent the disclosure or use of official information for improper gain or improper advantage 7(2)(j).

Fraud Trends - Presentation by Audit New Zealand

- To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (7(2)(i)).
- To prevent the disclosure or use of official information for improper gain or improper advantage 7(2)(j).

Potential Liability Claims

- To protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information, Section 7(2)(b)(ii)
- To maintain legal professional privilege, Section 7(2)(g)
• To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations), Section 7(2)(i).

Drainage and Flood Control Liability Issues

• To maintain legal professional privilege, Section 7(2)(g).

Public Excluded Minutes of the Previous Meeting of the Audit and Risk Committee

• To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities, Section 7(2)(h).
• To protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information, Section 7(2)(b)(ii).
• To maintain legal professional privilege, Section 7(2)(g).
• To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations), Section 7(2)(i).

Key Projects Update - Hamilton Accommodation Tristram Precinct (Connect 2020) Project Update

• To protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information, Section 7(2)(b)(ii).

Meeting returned to open session at 12.30pm.

Meeting closed at 12.30pm.