

Ōtorohanga District Council

MINUTES

31 March 2022

1.00pm

In accordance with Ōtorohanga District Council's COVID-19 requirements,
THIS MEETING WAS CLOSED TO THE GENERAL PUBLIC
and was livestreamed to Council's YouTube channel.

Members of the Risk and Assurance Committee

Independent Chair B Robertson
Councillor RA Klos
Councillor A Williams

His Worship the Mayor MM Baxter
Councillor C Jeffries

For all meeting queries, please contact Council's Governance Manager (governance@otodc.govt.nz)

Risk and Assurance Committee

Minutes of an ordinary meeting of the Risk and Assurance Committee held in the Council Chambers, Ōtorohanga District Council, 17 Maniapoto Street, Otorohanga on Thursday, 31 March 2022 commencing at 1.07pm.

Tanya Winter
CHIEF EXECUTIVE

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PRESENT

Councillor A Williams (Deputy Chair), His Worship the Mayor MM Baxter, Councillor C Jeffries, and via Zoom, B Robertson (Independent Chair).

IN ATTENDANCE

T Winter (Chief Executive), G Bunn (Group Manager Business Enablement), M Lewis (Group Manager Engineering & Assets), B O'Callaghan (Manager Finance), R McNeil (Chief Advisor), and K King (Manager Governance)

Via Zoom: Matt Laing (Deloitte), Lucy Nicol (Deloitte), Billy Michels (Manager Information Services), Tracey Stevenson (Health and Safety Advisor), and N Gower (Group Manager Strategy & Community).

CHANGE OF CHAIRPERSON FOR THE MEETING

Deputy chairperson, A Williams advised the independent chairperson, Mr Robertson had been unable to attend due to fog at the Wellington airport. As Mr Robertson was attending via Zoom, Councillor Williams assumed the Chair for the meeting in accordance with the Local Government Act 2002.

APOLOGIES

RESOLVED: That the Risk and Assurance Committee receive and accept the apology from councillor R Klos for non-attendance.

Councillor Jeffries | His Worship the Mayor

LATE ITEMS

There were no late items.

DECLARATION OF CONFLICTS OF INTEREST

No conflicts were declared.

CONFIRMATION OF MINUTES –24 NOVEMBER 2021

RESOLVED: That the open minutes of the Risk and Assurance Committee meeting held on 24 November 2021, having been circulated, be taken as read and confirmed as a true and correct record of that meeting with the following amendment: Page 6, Valuation of infrastructure assets, bullet point 4 - replace 'FARE' with 'fair'

Councillor Jeffries | His Worship the Mayor

RISK AND ASSURANCE COMMITTEE WORKPLAN 2022

Council's Group Manager Business Enablement, G Bunn presented the draft workplan for 2022 and outlined the proposed quarterly reports. In response to a query, Mr Bunn advised no significant changes were proposed to the draft Annual Plan 2022/23.

Independent Member, B Robertson outlined the process used widely across New Zealand councils where a 'deep dive' is undertaken on top risks at each meeting. The risks would be reviewed over the year to spread the workload. He stated it was normal to have Health and Safety as a separate item at each meeting. Mr Robertson commented that it would be beneficial for the Committee to receive legal risk information every six months and suggested March and September as suitable dates. He noted the Committee would need to oversee the project management and risk disciplines during the preparation of the 2024-34 Long Term Plan from March 2023 onwards. Mr Robertson also requested staff present on insurance items that are proposed to be removed or amended during the annual insurance update.

RESOLVED: That the Risk and Assurance Committee:

- a) Receive the report titled 'Risk and Assurance Committee Workplan - 2022' presented by Graham Bunn, Group Manager Business Enablement.
- b) Approve the proposed 'Risk and Assurance Committee 2022 Workplan' for March, June and September 2022 with the amendments as discussed.

His Worship the Mayor | Councillor Jeffries

OUTSTANDING MANAGEMENT LETTER POINTS 2020/21 ANNUAL REPORT

Council's Finance Manager, B O'Callaghan took the report as read and referred members to the first item in the table on reviewing exception reports. He noted this was being undertaken on a monthly basis. To ensure segregation of duties, he advised he undertakes a first review at the beginning of every month. If the report shows the Finance Manager made a change then the change would be reviewed by the Group Manager Business Enablement. Members commented on the controls in place to prevent fraud, bribery and corruption. Mr O'Callaghan noted there were a number of new staff so the Sensitive Expenditure Policy would be resent to all staff.

Mr O'Callaghan stated the fair value assessments were being undertaken over the next month and then any additional revaluation requirements would be known.

In response to a query, he advised there were three types of debt: debt, doubtful debt (possible), and bad debt. He also noted staff would attempt to collect the debt and had been working to reduce debt levels. Once deemed to be unrecoverable by staff, the debt collectors RML are utilised. A report on debt would be presented to the Committee at future meetings as appropriate.

RESOLVED: That the Risk and Assurance Committee receive the 'Outstanding management letter points 2020/21 Annual Report' report from Brendan O'Callaghan, Finance Manager.

His Worship the Mayor | Councillor Jeffries

KEY INFORMATION SERVICES RISKS AND CURRENT STRATEGIC IMPROVEMENTS

Council's Manager Information Services, B Michels advised the risks contained in the report shouldn't be construed as a full and final list of risks relating to IT. He noted the identified risks were related to the current focus to provide a more reliable backup and server environment along with cyber security controls, IS auditing and an improved asset management system.

Mr Michels advised the backup was previously to a local drive in Ōtorohanga but will be transferred to a Cloud based system. Once the new backup system is implemented, the old system will be decommissioned. The new Azure environment is being prepared for migration. His preference was for two lines to come in by two different vendors to ensure continuity but this may prove challenging. The network will be restructured as a consequence of moving to the Cloud environment along with two new firewalls. The project is working to a 'zero trust network' model reliant on a known device and known person for access. A review of tools and processes will be undertaken by a consultant specialising in local government. A managed service providing monitoring, alerting and response to breach attempts was traditionally considered expensive but the same service provider has a specific local government solution which will be evaluated.

He noted an ongoing staff training programme on cyber security will become a focus once the measures have been implemented. Multi-factor authentication was currently in use but needed improvement and would be included in the staff training programme. Any staff member had been able to download and install any software which was a security risk and this ability was being restricted to authorised staff only.

Mr Michels advised an asset management and auditing tool review will be undertaken to provide improved control over devices covering hardware, software and activity occurring on the network. Due to centralisation of purchasing, the standardisation of hardware will occur over time.

He noted there was currently no email archive and this was needed to meet the requirements of the Public Records Act. Software changes are planned to enable Office 365 and an upgrade from Office 2016 was underway. He advised an audit of the onboarding and exit processes of staff had identified eight accounts where staff had left but the accounts remained active. This was a considerable risk and process improvements had been initiated.

In response to a query, Mr Michels advised the disaster recovery and backup migration was largely complete. Once the entire environment was Cloud based, the estimated cost was \$2,500 per month. He noted Waikato Regional Council had considered the 'gold standard' version with an estimated cost of over \$500,000 per year.

In response to a question, Council's Chief Executive, T Winter advised an IS Strategy and roadmap were being developed. Once developed the draft Strategy would be presented to the Committee. Ms Winter noted Mr Michels was the current President of the Association of Local Government Information Management (ALGIM). She noted he was well-connected and had a full understanding of industry benchmarks and best practice.

RESOLVED: That the Risk and Assurance Committee receive the 'Key information services risks and current strategic improvements' report from Billy Michels, Manager Information Services.

Councillor Jeffries | His Worship the Mayor

ANNUAL REPORT ENGAGEMENT LETTER AND ADUIT PLAN

Council's Finance Manager, B O'Callaghan introduced Lucy Nicols and Matt Laing from Deloitte. In response to a query, Mr Laing advised there was the option to provide a letter of engagement three-yearly but Deloitte preferred to renew annually. Mr Laing took the report as read and spoke to a potential conflict of interest noting the Office of the Auditor General had cleared it.

He noted the fair value of infrastructure assets was being impacted by considerable cost pressures. Desktop valuations are likely to show more than material movement and indicating comprehensive valuations will be required. These will likely impact on financial statements.

Mr Laing stated audits are approached with a presumed risk of fraud. He advised a focus would be on the fair value of waters assets to inform the three waters reform with users of financial statements naturally interested in the value of those assets. In response to a query, he advised there was no mandate for valuations but the fair value exercise needed to be undertaken with rigor. It was noted that if comprehensive valuations were required this may impact the timeline for the Annual Report signoff by the current Council due to the local government elections in October.

RESOLVED: It is recommended that the Audit and Risk Committee:

- a Approve His Worship the Mayor to sign the Engagement Letter for the audit of the 2021/22 Annual Report.
- b Receive the audit plan for the audit of the 2021/22 Annual Report as presented by Deloitte.

Councillor Jeffries | His Worship the Mayor

The Chairperson declared a 10 minute break.

HEALTH, SAFETY AND WELLBEING

Council's Health & Safety Advisor, T Stevenson advised Council approved an additional resource who has now commenced. Training had been completed and operational work being transferred.

She noted there had been a decrease in near miss reporting. One contributing factor was the lockdown from October to December 2021. Reporting will remain a focus as will site inspections to ensure staff and contractor safety. In response to a query, Ms Stevenson commented the health and safety culture could be improved. In response to a further query, she advised there had been no increase in medical injuries with strains and sprains being most common. Near miss reporting allows preventative measures to be implemented.

In response to a query, Council's Chief Executive advised a Vitae staff member comes onsite and chatted with staff. One staff member had expressed dissatisfaction and spoke about workload stress. The Pulse survey recently undertaken on coping with change had an 85% response rate and the feedback was to be reviewed by the management team.

RESOLVED: That the Risk and Assurance Committee receive the 'Health, Safety and Wellbeing' report from Tracey Stevenson, Health, Safety and Wellbeing Advisor.

Councillor Jeffries | His Worship the Mayor

ANNUAL REFRESH OF TOP RISKS

Members noted a draft resolution had been circulated following a public excluded workshop held prior to the meeting. It was noted a sub-committee had been agreed by the Committee at the workshop.

RESOLVED: That the Risk and Assurance Committee approve the Top Risks as follows:

- Climate change response
- Cyber attack
- Organisational capability/capacity
- Health, safety and wellbeing
- Financial loss (internal)
- Programme delivery (supply chain, contractor availability)
- Change in Council direction (elections)
- Inflation/costs (macro economic factors)
- Consent renewal requirements substantially increased
- Sector reform uncertainty/change of Government
- Business continuity

Councillor Jeffries | His Worship the Mayor

CAPITAL EXPENDITURE DELIVERY RISK EXPOSURE

Council's Group Manager Engineering & Assets, M Lewis took the report as read and noted paragraph 25 refers to considering capital works as a three year programme. He noted a large component of the expenditure is related to roading with change in material costs and procurement requiring new approaches. For example, air freighting items to maintain overall project timelines.

Mr Lewis noted the Three Waters Reform was progressing at pace with requests for information being received adding to staff workloads.

Mr Lewis advised seven of the eight projects funded by the Government's stimulus fund had been completed with one outstanding. The project is at risk of non-completion due to material and contractor availability.

He noted the drainage renewals were underspent due to stormwater modelling in rural areas being undertaken. The results of the modelling will inform the pipe size requirements. Water supply was also underspent due to delays in the feasibility phase with internal design work completed but the peer review being delayed due to capacity issues. The wastewater budget is overspent due to the Kakamutu Road sewer failure in 2021.

In response to a query around climate change impacts, Mr Lewis confirmed Council staff were taking aspects such as the increasing large weather bombs into consideration during the initial project feasibility and design stages.

In response to a query, Mr Lewis confirmed the sealing of Short Street would be in the 2022/23 financial year.

RESOLVED: That the Risk and Assurance Committee receive the 'Capital expenditure delivery risk exposure' report from Mark Lewis, Group Manager Engineering and Assets.

His Worship the Mayor | Councillor Jeffries

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There being no further business the meeting closed at 3.31pm.