

# MINUTES

## Audit and Risk Committee

F19/13/05 – D21/26251

Date: Tuesday 20 July 2021 at 2pm  
Venue: Council Chambers, 63 Miranda Street, Stratford

### Present

P Jones (the Chair), the District Mayor N C Volzke, the Deputy Mayor A L Jamieson, Councillors J M S Erwood, P S Dalziel and M McKay.

### In attendance

Councillors G W Boyde and W J Sandford.

The Director Corporate Services – Mrs T Radich, the Director Assets – Mrs V Araba, the Administration and Communication Support Officer – Ms R Vanstone, the Corporate Accountant – Mrs Christine Craig, the Communications Manager – Ms Gemma Gibson, the Roading Asset Manager – Mr Steve Bowden and one member of the media (Stratford Press).

#### 1. Welcome

The Chair welcomed the District Mayor, Councillors, staff and the media to the meeting.

The Chair noted the health and safety message and emergency procedures on page 5 of the agenda.

#### 2. Apologies

An apology was noted from the Chief Executive – Mr S Hanne.

#### 3. Announcements

The Chair noted that a Councillors workshop would commence at 3.30pm and that an addendum to the Information Report – Health and Safety Report had been made available to elected members prior to today's meeting.

#### 4. Declarations of Members Interest

The Chair requested councillors to declare any real or perceived conflicts of interest relating to items on this agenda.

There were no declarations of interest relating to items on this agenda.

#### 5. Attendance Schedule

The attendance schedule for Audit and Risk Committee meetings was attached.

6. Programme of Works  
D21/6382 (Page 7)

**Recommendation**

THAT the Audit and Risk Committee's rolling programme of works up to the end of the 2022 be received.

DALZIEL/ERWOOD  
Carried  
A&R/21/23

The Chair proposed to circulate information to elected members prior to a workshop in September on the committee's self-evaluation. There will be a report back to elected members at the November Audit and Risk meeting on this topic.

Mrs Radich added that the water quality update had been pushed out to September in order to include the results of water testing done over the last six months. She also invited committee members to add any items to the programme of works.

7. Confirmation of minutes

7.1 **Audit and Risk Committee Meeting Minutes – 22 June 2021**  
D21/21219 (Pages 8-16)

**Recommendation**

THAT the minutes of the Audit and Risk Committee Meeting held on Tuesday 22 June 2021 be confirmed, with any amendments, as a true and accurate record.

JAMIESON/VOLZKE  
Carried  
A&R/21/24

The Administration and Communication Support Officer undertook to make the following amendments:

- Page 11 – first bullet point – amend to “he does, on occasion, approve reimbursement back to the Mayor for other local authorities, ...”.

8. Matters Outstanding  
D18/27474 (Page 17)

**Recommendation**

THAT the matters outstanding be received.

JONES/McKAY  
Carried  
A&R/21/25

The Director – Corporate Services noted the following points:

- That there has been no time to clarify the process for a review of the contractor health and safety prequalification process but that a response will be reported to this committee at the September Audit and Risk meeting.
- Mr Chris Webby, Audit NZ will be invited to update elected members at the September Audit and Risk meeting to clarify matters outstanding and the annual report.

- Stratford District Council are working toward being one of the early councils to have their audit completed.

Questions/Points of clarification:

- The Chair noted that government continues to pass legislation affecting the LTP adoption process – a number of councils have still not adopted their LTP consultation document. There are also impacts for local government with the national shortage of auditors, the unavailability of international auditors and the public service salary freeze.

9. **Decision Report – General Insurance Renewal 2021**  
D21/24912 (Page 18-44)

**Recommendations**

1. THAT the report be received.
2. ~~THAT the Committee approves the recommendations for the general insurance renewal programme for 2021.~~
3. THAT the Committee approves the proposed amendments to Council's Insurance Framework.

JONES/ERWOOD  
Carried  
A&R/21/26

The Director – Corporate Services noted the following points:

- Above-ground services and assets are insured by various insurers via the broker, Marsh NZ. Below-ground services and assets are insured through the Local Authority Protection Programme (LAPP).
- The general insurance renewal programme in 2021/22 sees an increase of \$26,000 in premiums.
- Detailed options for consideration for insurance renewal are contained in the report.

Questions/Points of clarification:

- Deputy Mayor Jamieson sought an explanation as to why Council insures the hockey turf and lights. Mrs Craig clarified that Council on-charges this cost to the Hockey Turf Trust. Councillor Boyde noted his reluctance to pay a high excess for the turf and lights.
- Councillor McKay noted that the relatively small amount of savings did not warrant paying the excess increase especially given the number and value of recent claims. She supported remaining with the status quo.
- The District Mayor agreed, acknowledging the relatively small savings in context to the total cost, adding that if the excess is increased, unless there was a major disaster affecting any one of the assets, Council would not be in a position to make savings. Mayor Volzke also added his support to set aside excess funds in a natural disaster contingency fund. With the frequency of natural disasters increasing and becoming more expensive, Council should be looking to maximise the insurance claim rather than save a few dollars in premium.
- Councillor Dalziel agreed to remain with the status quo.
- The Chair pointed out his support for the status quo also, adding that a claim for under \$100,000 would see Council staff working on the claim and therefore accruing administrative costs. A claim for more would mean passing the claim administration over to the insurer who were far better equipped to make recovery from a third party, for instance.
- Mrs Radich clarified the process of tendering for brokering services, when asked by Councillor Boyde. There is a shared service arrangement with other Taranaki councils, last reviewed in 2020 for two years. Council does not deal directly with insurers – most of which are overseas – and there are often multiple insurers underwriting a policy. There are only two brokers in the New Zealand market providing this service – AON and Marsh.
- Councillor Dalziel noted that the annual fee of \$7,700 for brokering services was not a huge cost.
- The Chair added that, contractually the broker does not receive commission if the Council is paying directly for those services, so a broker cannot 'double dip'.

## Recommendation

THAT the Committee approves the recommendations for the general insurance renewal programme for 2021 with the status quo in addition to reducing the excess for natural disaster as outlined in option 1c within the report.

JONES/ERWOOD  
Carried  
A&R/21/27

## 10. Decision Report – Review of Risk Management Policy D21/24848 (Page 45-62)

## Recommendations

1. THAT the report be received.
2. ~~THAT the amendments to the Risk Management Policy be reviewed and approved.~~

JONES/McKAY  
Carried  
A&R/21/28

The Director – Corporate Services noted the following points:

- The policy is the overarching guidance for staff and elected members. The framework contains more detail around how risk is assessed, managed and monitored.

Questions/Points of clarification:

- Elected members focused on the risk appetite statement, particularly the risk categories and there was much discussion around degrees of risk. Members concluded that reputation risk should be reduced to moderate and compliance risk to low.
- Mrs Radich noted that it is good practice for local government to have a risk appetite statement adding that time would tell in how it could be applied.
- Regarding the policy, Mrs Radich explained the risk reporting procedure adding that currently, Council does not have any extreme risks.
- The District Mayor noted that he would like to see extreme, very high and high risks notified to the Chief Executive, as the eyes and ears of elected members.
- Councillor Dalziel noted his preference for the risk matrix to work on the residual rather than the raw risk adding that, residual risk is what has to be managed because that is where Council is exposed. He stated the logic of the matrix (on page 56 of the report) was incorrect - that all minor risks should be low and that any exposure to an extreme or catastrophic risk to be a rare event.
- The Chair disagreed with Councillor Dalziel, noting that Council needs to focus on the raw risk and be aware of the controls in place to mitigate that raw risk.
- Mrs Radich noted that each risk is assessed twice – once at the raw risk and then again when the mitigation and control has been developed. In terms of the risk reporting to this meeting, this is based on the raw risk rating.
- Elected members discussed the risk matrix at length focusing on the frequency and likelihood of events.
- Councillor Erwood considered that the risk matrix should be more agile.
- Mrs Radich confirmed that risks are constantly being reassessed at an SLT level. Councillor Boyde suggested that the policy be reviewed annually and that critically, the matrix is living because a lot can change in a short time, and has if we take Covid-19 as an example.
- Councillor McKay asked how, if Councillor Dalziel's comments were to be taken into account, the matrix could be applied practically. Mrs Radich responded that Council does not currently have any risks assessed in the risk register at the catastrophic/almost certain end of the scale and we are not using those categories. From a practical point of view, we need to be able to able constantly review.

### Recommendations

2. THAT the amendments to the Risk Management Policy be received and approved.
3. THAT the Council monitor the Risk Management Policy and that it be reviewed in 12 months time.

JONES/McKAY  
*Against* DALZIEL  
Carried  
A&R/21/29

### 11. Information Report – Health and Safety Report D21/25927 (Page 63-66)

### Recommendation

THAT the report be received.

DALZIEL/ERWOOD  
Carried  
A&R/21/30

#### Questions/Points of clarification:

- Council Boyde expressed his views around the prequalification of contractors noting that a line needed to be drawn in the sand around Council's use of non-pre-qualified contractors.
- Mrs Radich noted that a report is on the work programme and that there are various scenarios and fit-for-purpose solutions. She noted that the Health & Safety Advisor, Mr Mario Bestall, is constantly working with the problematic contractors.
- Councillor Dalziel felt that a one-size-fits-all approach did not always work, especially with the small, local contractor. He felt that time, education and practicality were also considerations and that Council must issue clear guidelines.
- Councillor Boyde agreed that a fit-for-purpose approach is sensible.
- The Director Assets explained the Health and Safety Officer had checked in with the big contractors to ensure that their sub-contractors were compliant. All contractors received a letter recently giving them until the end of the month to notify whether they are compliant and whether their subcontractors are compliant. After this contractors are not able to do any work for the Council. Mr Bestall is working with contractors/sub-contractors as they come through the door.
- The District Mayor noted that the civil defence centre is now complete and is open. This is a state-of-the-art facility and Council have played a significant role in funding the service and our staff in delivering the service.

### 12. Information Report – Audit NZ – Progress on Auditor Recommendations D21/25066 (Page 67-72)

### Recommendation

THAT the report be received.

DALZIEL/JONES  
Carried  
A&R/21/31

The Director Corporate Services noted that new recommendations from Audit New Zealand in relation to the Long Term Plan (LTP) and the final report on the LTP audit have been added.

Questions/Points of clarification:

- Councillor Dalziel congratulates the Corporate Services team on a good outcome.
- The Audit NZ response to the Annual Report will be received in for the November Audit and Risk meeting.
- The Director Assets confirmed that there was no completion date around the asset data due to continuously ensuring that it is dynamic as assets are updated. Mrs Araba did not foresee a time when this updating would stop. In terms of critical assets Council has a good handle on data. For non-critical assets Council must weigh the cost effective collection of data with the confidence that we have in the quality of our data.
- The Chair asked Mrs Araba whether she agreed with Audit NZ's recommendation concerning "*largely non-critical assets, where the confidence levels in data held are lower than what (Audit NZ) consider to be acceptable for the purposes of developing its renewal programme*". Mrs Araba did not disagree with this statement however, Audit NZ are referring to non-critical assets such as laterals, for example, which are almost insignificant parts of the water asset. It is not therefore, cost-effective to dig for laterals. She considers that the Council's strategy around the data held for non-critical assets works for Council and is cost-effective.
- The Chair added that it is worthwhile asking Audit NZ, when they bring back their subsequent report, whether they agree with Council's strategy.
- Councillor Boyde noted an error at the bottom of page 70 of the schedule of recommendations where the capital expenditure do-ability statement is repeated.

### 13. Information Report – Financial Risk Management Report

D21/24987 (Page 73-84)

#### Recommendation

THAT the report be received.

ERWOOD/DALZIEL  
Carried  
A&R/21/32

Questions/Points of clarification:

- The District Mayor noted that paragraph 2.2 of the Treasury Report on page 75 related to Council's financial investments – currently the entire amount of \$7 million sits with the Westpac Bank. This is consistent with the policy as long as the Chair and Mayor have approved. Councillor's were asked at the previous Ordinary council meeting if they were comfortable with this process – they were and that was noted formally. Mayor Volzke considers that approval, when given, should be formally noted at this meeting as well.
- The Chair considers that a recommendation should formally note that while the investments fall outside of policy, there was prior approval given as per the policy.
- The Chair asked, referring to the committed cash facilities currently with TSB, is a facility fee paid? The Corporate Accountant clarified that if the facility is drawn down, interest is charged, otherwise no line fee is payable in the meantime.
- Councillor Boyde noted, in referring to page 77, that there were no concerns around rates collection. He asked what level of rates non-collection was a concern, but the concerns about Covid-19 affecting rates revenue received did not eventuate and rates collection is improved on the previous year.

14. Information Report – Risk Review  
D21/24911 (Page 85-106)

**Recommendation**

THAT the report be received.

McKAY/JONES  
Carried  
A&R/21/33

Questions/Points of clarification:

- The Chair, in referring to risk 78 on page 90, asked if the risk rating was too low given the current central government mandate with the amount of upcoming policy changes for local government. He considered that the residual risk score should be much higher as the scenario is a very real risk – at least major, if not extreme. It was agreed to increase the raw risk to Extreme – Almost Certain, and Major.
- Councillor Dalziel asked how, particularly with the 3 waters reforms, Council minimises the impacts on the districts.
- The Chair noted his concerns for the financial impact on ratepayers who have been promised a lower water bill, however he has seen no evidence of how this will be achieved.
- The District Mayor added that there are also other reforms which will have a cumulative impact.
- Councillor Dalziel noted his preference to re-work the rating of cyber attack. He felt that a residual risk score of 3 was ‘undercooking’ the situation.

15. General Business

No general business was discussed.

16. Questions

No questions were asked.

*The meeting closed at 3.32pm.*

P Jones  
**Chairman**

Confirmed this 20th day of July 2021.

N C Volzke  
**District Mayor**