
**MINUTES OF THE AUDIT & RISK COMMITTEE MEETING OF THE
STRATFORD DISTRICT COUNCIL HELD IN THE COUNCIL
CHAMBERS, STRATFORD DISTRICT COUNCIL ON TUESDAY 16
MARCH 2021 AT 2PM**

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

The Chief Executive – Mr S Hanne, the Director Community Services – Ms K Whareaitu, the Director Corporate Services – Mrs T Radich, the Director Environmental Services – Mr B Sutherland, the Director Assets – Mrs V Araba, Councillors G W Boyde, G M Webby, and W J Sandford, the Administration & Communication Support Officer – Ms R Vanstone, the Health & Safety and Emergency Management Advisor – Mr M Bestall (*part meeting*), the Corporate Accountant – Mrs Christine Craig, the IT Manager – Mr Brendan Coles (*part meeting*), the Services Engineering Advisor – Mr Mike Oien (*part meeting*), the Communications Manager – Ms Gemma Gibson and two members of the media (Taranaki Daily News & Stratford Press).

1. WELCOME

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

2. APOLOGIES

No apologies were received.

3. ANNOUNCEMENTS

No announcements were made.

4. DECLARATION 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 8

RECOMMENDATION

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

ERWOOD/McKAY
Carried
A&R/21/1

Questions/Points of clarification:

- The Director Corporate Services clarified that the Treasury Policy Review would be removed from the Programme of Works for the May Audit and Risk Committee meeting as it was adopted following the A&P Association loan approval.
- The Chief Executive was comfortable with the Chair's suggestion that the Financial Strategy be reviewed at the July meeting.

7. **CONFIRMATION OF MINUTES**

7.1 **Audit and Risk Committee Meeting Minutes – 1 December 2020**

D20/35439 (Pages 9-15)

RECOMMENDATION

THAT the minutes of the Audit and Risk Committee Meeting held on Tuesday 1 December 2020 be confirmed, with any amendments, as a true and accurate record.

JAMIESON/VOLZKE
Carried
A&R/21/2

The Chair thanked Mr Hanne for his assistance at this meeting which Mr Jones chaired by audio-visual link (Zoom).

8. MATTERS OUTSTANDING

D18/27474

(Page 16)

RECOMMENDATION

THAT the matters outstanding be received.

JONES/McKAY

Carried

A&R/21/3

Questions/Points of clarification:

- The Chair removed the Infrastructure Strategy from Matters Outstanding.
- Mrs Radich confirmed that the scope of the Tax Review would be brought to the July Audit and Risk Committee meeting and then outcomes of the review be reported back to the committee in November 2021.
- Mr Hanne clarified, with reference to workload and staff stress, that the staff wellbeing survey would be out shortly and a report back is planned for the May Audit and Risk Committee meeting.

9. INFORMATION REPORT – HEALTH AND SAFETY REPORT

D20/35439

(Pages 9-15)

RECOMMENDATION

THAT the report be received.

ERWOOD/McKAY

Carried

A&R/21/4

The Health & Safety and Emergency Management Advisor noted that corrective actions have taken place following the investigation of the chlorine leak at the TSB Pool. Mr Hanne was recognised for his assistance on the day of the leak.

Questions/Points of clarification:

- Councillor Dalziel would like to see data or indicators on staff turnover, sick leave etc in relation to staff wellbeing.
- The Chair sought comments from the Chief Executive. Mr Hanne clarified that specific employment matters should remain a management or operational issue. The staff wellbeing survey will trend data and this will be utilised to report back at a high level. He noted his hesitancy to comment on leave in a public environment.
- Councillor Dalziel considered that there were risks involved for the less obvious area of staff wellbeing and that as governors, elected members were accountable. He welcomed a dashboard view of the data.
- Mr Bestall clarified that data could be provided but questioned how this information would be used.

- Mr Hanne noted that EAP referrals was an indicator however the reasons why an employee accesses (or does not access) the service were not always clear. Resignation data was a reasonable indicator however.
- The Chair sought clarification on paragraph 2.5 of the report where it was noted that contractors were doing their best, as opposed to taking all practicable steps. Mr Bestall clarified that contractors were doing their best to do the right thing – an improvement on previous attitudes to health and safety, revealed during auditing. The Chair clarified that as PCBU, Council must ensure contractors are doing what they said they would do and see evidence of this.
- Mr Bestall confirmed that a trespass notice has now been served to a pool patron.

The Health & Safety and Emergency Management Advisor left the meeting at 2.22pm.

10. INFORMATION REPORT – CYBER RISK PREVENTION UPDATE

D21/7313

(Pages 21-27)

RECOMMENDATION

THAT the report be received.

RECOMMENDED REASON

The report provides the Audit and Risk Committee with information on how cyber risk is currently being managed and outlines further work that can be done to reduce cyber risk.

JAMIESON/McKAY
Carried
A&R/21/5

Questions/Points of clarification:

- Councillor Boyde noted his concerns around the breach of contract and asked how often network account checks were being conducted. The IT Manager clarified that the Council was currently considering the contract, which is up for review in two years, and a variation may be sought. Mr Coles noted that the cloud service provider was a major provider of Council's systems and support and the contract breach had resulted in a loss of trust.
- The Chair asked what the risks were regarding the breach. Mr Hanne clarified that Council was not given the opportunity to preapprove a data centre before data was put into it and that this was revealed quite by chance. The providers view is that they have provided a service whereas Mr Coles view is that the provider has skipped a step in the process.
- Councillor Boyde noted that having enabled accounts remaining operational following must have raised red flags. Mr Coles agreed adding that he conducts frequent audits in this area.
- Councillor Boyde asked whether, where data is breached, this is covered by insurance. Mr Coles clarified that insurance did not cover a data breach and that as data is Council's biggest asset, it is therefore its biggest risk.

- The Chair noted that the provider in question also provides services to other local authorities and asked whether Mr Coles had had any contact with others. Mr Coles confirmed that he was currently focused in-house.
- Mr Coles clarified that the provider supplies two separate contracts to this Council – an ERP financial rating system and the managed services contract, which is due for renewal in two years. The provider has agreed to some changes in environmental design which would open the contract up for negotiation in the future.
- Councillor Dalziel sought clarification on whether the recent intrusion of the global Microsoft exchange had had consequences for this Council. Mr Coles confirmed that a patch was applied within hours of the vulnerability being notified.
- Councillor Erwood sought clarification on the cost of cyber insurance. Mrs Radich confirmed that cyber insurance premiums cost Council \$5,000 this year.
- The Chair was interested to know how Council is protected from ransom ware attacks. Mr Coles clarified that there were multiple levels of protection including anti-virus software and an app locker on servers while only approved software is permitted to run on servers (this protection is implemented at a policy level).
- Mr Coles clarified that five campaigns of phishing testing exercises are carried out annually.

The IT Manager left the meeting at 2.42pm.

11. INFORMATION REPORT – RISK REVIEW

D21/7044

(Pages 28-50)

RECOMMENDATION

THAT the report be received.

RECOMMENDED REASON

To provide an update to the Audit and Risk Committee of any changes to the Council Risk Register and advise the Committee of any incidents in relation to the Top Ten Risk Register from the previous quarter.

JONES/DALZIEL

Carried
A&R/21/6

Questions/Points of clarification:

- Following questions from Councillor Dalziel regarding the scoring of catastrophic events and the design of the risk matrix, Mrs Radich confirmed that the Risk Policy, to be reviewed in July, will look at measuring impact and likelihood.
- There was much discussion around the risk of government reforms in the areas of 3 waters, fresh water and the Resource Management Act review as examples, and the impact of these reforms on local authorities and ultimately, the risk being increased costs to the ratepayer.
- The Director Environmental Services agreed to review the weighting in relation to risk 54 BCA Accreditation.

- It was agreed to workshop the Risk Policy review before the Audit and Risk Committee meeting in May followed by adoption of the policy in July.

12. INFORMATION REPORT – FINANCIAL RISK MANAGEMENT REPORT

D21/7303

(Pages 51-56)

RECOMMENDATION

THAT the report be received.

ERWOOD/DALZIEL
Carried
A&R/21/7

Questions/Points of clarification:

- The District Mayor commented that the approval process whereby the Chair of this committee and himself approve breaches of Council's Investment Policy, this has been working well thus far.
- The Chair noted that there was a general feeling of nervousness amongst councils around the ability to deliver entire capital works programmes where additional central government funded projects were taking precedence due to tight delivery timeframes. Mr Jones advised that Council may wish to develop a template in this area.
- The Deputy Mayor noted that elected members had asked such questions at Council level and were satisfied with the assurances given. Mrs Radich clarified that Council updates are provided to the Policy and Services Committee.
- The Chair sought clarification on whether Council was satisfied that the risks were identified and managed regarding capital works. Mr Hanne noted that of the projects which had received central government funding – roading is complete, the bike park is progressing, the pool has started and planning of the second trunk main is progressing. While there is a risk that these projects displace others, the availability of resources has been relatively positive.

13. INFORMATION REPORT – WATER SUPPLY – HEAVY METALS MONITORING

D21/6867

(Pages 57-62)

RECOMMENDATION

THAT the report be received.

Recommended Reason

The Audit and Risk Committee has a responsibility to monitor Council's management of risk, of which Council's practice of heavy metals monitoring in drinking water supplies is one.

VOLZKE/JONES
Carried
A&R/21/8

The Director Assets noted the following points:

- A correction to paragraph 4.1, “*That heavy metals ... even in minor quantities can cause developmental issues*”.
- That Appendix 2 has been corrected and tabled.

Questions/Points of clarification:

- The District Mayor acknowledged staff for bringing this report to Council. Following the Dunedin City Council experience, it is appropriate that Council provides assurances to the public and that monitoring is brought forward. The Mayor welcomes the results of the monitoring being reported to the Policy and Services Committee.

The Services Engineering Advisor left the meeting at 3.19pm.

14. INFORMATION REPORT – LONG TERM PLAN – ASSUMPTIONS & RISKS
D21/6973 (Pages 63-86)

RECOMMENDATIONS

1. THAT the report be received.
2. THAT the Audit and Risk Committee considers the assumptions made in preparation of the Long Term Plan 2021-31, and whether the risks that may result from making these assumptions are being managed adequately.

Recommended Reason

The Committee has a responsibility to monitor Council’s risk management processes.

DALZIEL/McKAY

Carried

A&R/21/9

Questions/Points of clarification:

- Councillor Erwood sought an explanation of the Asset Condition Assessment graph on page 68. The Director Assets will provide this separately to elected members.
- Councillor Dalziel acknowledged the report writers and suggested that the freshwater regulations and carbon zero which will have an impact on the Council farm, should also be included.
- Mrs Radich clarified that Audit NZ have reviewed the document and suggested changes.

15. INFORMATION REPORT – BUILDING CONSENT AUTHORITY ACCREDITATION REPORT
D21/6864 (Pages 87-90)

RECOMMENDATION

THAT the report be received.

Recommended Reason

As an accredited Building Consent Authority the Stratford District Council must ensure its procedures and practices for building consent matters meet legal requirements.

JAMIESON/ERWOOD

Carried
A&R/21/10

The Director – Environmental Services noted that the Quality Assurance Manual will be finished by the end of next week.

Questions/Points of clarification:

- Councillor McKay sought clarification on whether Council continued to process commercial building consents. Mr Sutherland confirmed that Council are using consultants for complex consents and commercial consents generally fell into this category.
- The Deputy Mayor sought clarification on whether Council was still meeting its (processing) obligations. Mr Sutherland confirmed that Council remains by and large compliant with the 20 working day processing timeframe.
- Councillor Sandford sought clarification on whether ratepayers were picking up the additional costs incurred with the use of consultants. Mr Sutherland clarified that costs depended on the type of application being presented. He added that Council would not be able to keep up with the workload otherwise.
- The Chair asked if the risks of using consultants had been considered. Mr Sutherland noted that one of the risks of using consultants was that the organisation had no direct control over their activities however this had to be balanced with the complexity of the work being carried out. Mr Hanne added that the higher risk work was outsourced. Also, Council have less control over the timeframes as consultants tended to have multiple clients although this was not an issue at present and Council continues to meet its 20 working day timeframes. Mr Sutherland noted that this timeframe needs close management however.

**16. INFORMATION REPORT – ANNUAL REPORT 2019/20 –
PROGRESS ON AUDIT ISSUES**

D21/6662

(Pages 91-95)

RECOMMENDATION

THAT the report be received.

JONES/VOLZKE

Carried
A&R/21/11

Recommended Reason

This report informs the Audit and Risk Committee of the issues identified in the final Audit New Zealand Management Report for the 2019/20 Annual Report, summarising the actions that have or intend to be taken by Council officers to respond to audit recommendations with respect to each issue raised.

Questions/Points of clarification:

- Councillor Dalziel sought an update on the reconciliation between RAMM and the fixed asset register – an outstanding audit issue which had been around for some time.
- The Chair clarified that the issue could be removed if this committee collectively agreed to do so. As background, the Chair clarified that the issue is that the accounting standard requires Council to record the cost of replacement level. The problem with RAMM is that it is designed as a roading asset management system which does not record some information but records other information. RAMM cannot perform as a fixed asset register. To get around this, Council could revalue its roading assets every year – the RAMM data provides some information but does not hold the valuation data required for the exercise. There are advantages and downsides, for instance, the amount of work required on an annual basis is greater given this is a significant piece of work to go through each line item.
- The Chair clarified that, depending on data quality and whether the data is current, peer-reviewed and run, a revaluation would take a solid week. Every three years, that work might be two weeks for one person. The Chair spoke to his experience of carrying out a water revaluation in recent years.
- The District Mayor sought clarification on the implications of taking action, beyond the balance sheet. Mrs Craig noted that RAMM records different data for a different purpose. Mrs Radich noted depreciation.
- Mr Hanne clarified that all councils must run a RAMM system to be eligible for Waka Kotahi NZ Transport Agency funding. Some councils have tried to step away from it, unsuccessfully.
- Councillor Dalziel asked if all councils face this problem? The Chair clarified that this is the first council considering this recommendation. Other council's maintain a roading fixed asset register (for financials) as well as RAMM.

RECOMMENDATION

THAT the Audit and Risk Committee recommends to Council that the general ledger is not reconciled to the RAM database and that the Chief Executive bring a report to the appropriate Audit and Risk Committee providing the assurance that the carrying value of the roading asset is fairly valued.

JONES/VOLZKE
Carried
A&R/21/12

- Councillor Dalziel sought clarification on why Council could not reconcile the general ledger and the asset management system on a monthly basis. Mrs Craig clarified that the generally invoices are inputted as they come in but some of the bigger projects get capitalised upon completion – this is a simple accounting process. Audit NZ are however satisfied with Council's solution to balance as at 30 June. The Chair recommends that a quarterly balance is best and a six monthly balance is gold standard for a larger council with more resourcing. An annual balance in this case is satisfactory.
- The District Mayor likened the situation to Audit NZ asking Council to do all of its year end journals on a monthly basis – a truck load of work for no benefit.

17. AUDIT NZ CORRESPONDENCE

- Audit NZ – Audit Engagement Letter (Pages 96-113)
- Audit NZ – Report to Council on the Audit of Stratford District Council For the Year Ended 30 June 2020 (Pages 114-143)

The following points were noted:

- That the District Mayor has signed the Audit engagement letter.
- The first stage of the LTP has been completed.
- Mrs Radich expects that the LTP consultation document will be adopted at next Tuesday's council meeting.

18. GENERAL BUSINESS

No general business was discussed.

19. QUESTIONS

No questions were asked.

The meeting closed at 3.50pm.

P Jones
CHAIRMAN

Confirmed this 22nd day of June 2021.

N Volzke
DISTRICT MAYOR