

# MINUTES

## Audit and Risk Committee

F19/13/05 – D21/41130

Date: Tuesday 16 November 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, G M Webby, A K Harris and W J Sandford.

The Chief Executive – Mr Sven Hanne, Director Corporate Services – Mrs T Radich, the Director Assets – Mrs V Araba, the Director Community Services – Ms Kate Whareaitu, the Director Environmental Services – Mr Blair Sutherland, the Administration and Communication Support Officer – Ms R Vanstone, the Rooding Engineer – Mr Steve Bowden, the Communications Manager – Ms Gemma Gibson, the Health & Safety/Civil Defence Advisor – Mr Mario Bestall, the Audit Director, Audit New Zealand – Mr Chris Webby (*via audio visual link*) 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. Karakia – opening

The opening karakia 'Kia Uruuru Mai' was conducted by the District Mayor.

#### 3. Apologies

No apologies were received.

#### 4. Announcements

The Chief Executive announced that Mr Barry Jagersma, who gave 34 years of service to this Council as a rooding engineer, passed away earlier today. Mr Hanne offered condolences to the Jagersma family on behalf of the organisation.

#### 5. 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.

#### 6. Attendance Schedule

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

7. Programme of Works  
D21/6382 (Page 8)

**Recommendation**

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

DALZIEL/VOLZKE  
Carried  
A&R/21/44

*The Audit Director was admitted to the meeting by audio visual link at 2.05pm.*

8. Confirmation of Minutes

8.1 **Audit and Risk Committee Meeting Minutes – 21 September 2021**  
D21/33297 (Page 9)

**Recommendation**

THAT the minutes of the Audit and Risk Committee Meeting held on Tuesday 21 September 2021 be confirmed, with any amendments, as a true and accurate record.

ERWOOD/McKAY  
Carried  
A&R/21/45

9. Matters Outstanding  
D18/27474 (Page 15)

**Recommendation**

THAT the matters outstanding be received.

McKAY/VOLZKE  
Carried  
A&R/21/46

### Recommendations

1. THAT the report be received.
2. THAT the draft Annual Report 2020/21 be received.

### Recommended Reason

The draft Annual Report 2020/21 has been released to Audit New Zealand for the annual audit, which is expected to be completed by 8 December 2021 and adopted by Council on 14 December 2021.

ERWOOD/DALZIEL  
Carried  
A&R/21/47

The Chair welcomed Mr Chris Webby, Audit New Zealand's (Audit NZ) Audit Director to the meeting.

The Audit Director noted the following points:

- A team of auditors was onsite earlier in the month. An auditor continues to work offsite with council staff.
- Regarding central government's Three Waters announcement, a subsequent event note will be added to the Annual Report, and a matter of emphasis in the Audit Report, which will cover the decision.
- The Annual Report is scheduled to be signed off on 14 December. At this stage there are no issues.

The Chair noted that he is aware of three councils that, due to the current shortage of auditors, will not meet the 14 December deadline. Mr Webby confirm that this Council will be able to meet the deadline.

The Director Corporate Services noted the following points:

- The cover of the Annual Report is yet to be designed and formatted.
- The Annual Report also covers non-financial information and performance including highlights for the year.

Questions/Points of clarification:

- Councillor Dalziel noted an unnecessary 'etc' on page 20 (of the agenda) under the heading, Financial Position, of the draft Annual Report and that the second sentence did not read well. Mrs Radich responded that these would be corrected in the final version.
- Councillor Dalziel noted his preference for more explanatory notes in the report for the ratepayer reader.
- Councillor Dalziel questioned whether the net debt figure of 16 per cent noted on page 32 is correct. Mrs Radich responded that this figure would be reviewed and finalised prior to release.
- The Mayor noted that reserve fund movements in the water supply reserve on page 91 showed a deficit. He questioned how the deficit would be affected by the transfer of net debt to the Three Waters entity. Mr Webby responded that a solution had yet to be worked through this early in the development of Three Waters however speculated whether councils could plan in the next 2.5 years to 'cushion' ratepayers somewhat.
- The Chair noted that council had not achieved budget with capital expenditure as yet and was keen to communicate the primary reasons and implications for ratepayers of capital works not being carried out. Major variances and comments should also be included in the summary document to all ratepayers. Mr Webby added that note 29 in the Annual Report could also be an appropriate place to cover this off. The Mayor added that ratepayers would find it helpful to see a list of projects and how individual spend is made up in the summary document. Service level impact could be added to the Long Term Plan Variations page of the Annual Report on page 34.
- The Chair asked whether a surplus of \$7 million is required given the view that a council should break-even. He asked how the surplus had arisen noting that sometimes there is confusion between an accounting surplus and a situation of over-rating and how this situation impacts the ratepayer. Mrs Radich responded that this would be addressed in the final report.

*The Audit Director left the meeting at 2.31pm.*

**11. Information Report – Health and Safety**  
D21/40386 (Page 155)

**Recommendation**

THAT the report be received.

JONES/DALZIEL  
Carried  
A&R/21/48

The Health and Safety/Civil Defence Advisor noted the following points:

- It had been a relatively quiet period concerning health and safety incidents since the last meeting.
- The review of the health and system is progressing and would be available on council's website soon. The review would give contractors more scope to work within in terms of identifying risk and understanding the requirements for prequalification. Mr Bestall emphasised that the system is not 'broken' but rather in need of 'tweaking'.
- A lone worker system/product will be presented to the Senior Leadership Team on 1 December.

Questions/Points of clarification:

- Mr Bestall clarified that WorkSafe had not responded to the truck trailer tip incident, when asked by the Chair.
- Councillor Boyde sought clarification on whether any aerodrome matters needed to be referred to the Farm and Aerodrome Committee. Mr Bestall confirmed that nothing needed to go to the committee until all initial discussions with PCBU's had been undertaken.

*The Health and Safety/Civil Defence Advisor left the meeting at 2.38pm.*

**12. Information Report – Risk Management**  
D21/40347 (Page 159)

**Recommendation**

THAT the report be received.

**Recommended Reason**

To provide an update to the Audit and Risk Committee of any significant risks and any incidents or threats in relation to significant risks on Council's risk register from the previous quarter.

DALZIEL/ERWOOD  
Carried  
A&R/21/49

The Director Corporate Services noted the following:

- The report highlights incidents or threats on some top 10 risks.
- Regarding reforms to the local government sector (risk 78), the raw risk rating of 20 Extreme demonstrates that reforms will have a major impact and are almost certain. With council's controls currently in place, the effect of reforms could be serious rather than major though. The Chair noted his view that it is almost certain that there will be major impacts if Three Waters continues. Councillor McKay noted that there had been no indication of 'room to move' so a risk rating of almost certain is realistic. The residual risk rating will be updated to reflect that.
- Concerning risk 64, there have been many developments since even the last meeting. Elected members were satisfied with the current risk ratings. The Chief Executive added that elected members had had good visibility of this council's response to the covid situation in the community and Councillor Boyde noted that he felt well informed. Mrs Radich noted that the Senior Leadership Team

review the organisation's resilience including continuity plans on a weekly basis. Government guidance (sometimes vague) is followed.

- The Mayor noted that it would be a mistake for the Council and the community to view the current local covid situation solely in the context of 'the now' but rather take a more futuristic view since this will not be the only time that covid affects the area. Mayor Volzke also noted that it was important to remember that council is not a lead agency in this set of circumstances and that it is not for us to provide a public health response.
- Mr Hanne added that council is currently doing a stocktake of policies and procedures and pandemic plans with a view to centralising all pandemic related responses.
- Concerning risk 11, Mrs Radich noted that the server failure incident was listed as a potential threat. Operationally the failure caused system slowness and was resolved in 5 days which is not considered ideal but the organisation was able to continue functioning. Council continues to await an incident report.
- Concerning risk 55, the Director Environmental Services will report back to this committee on the outcome of the IANZ review. Mr Hanne noted significant improvements to building services since a year ago. Elected members were satisfied with the current risk ratings in this area.

### 13. Information Report – Long Term Plan Capital Works Programme – Key Projects Update

D21/40292 (Page 166)

#### **Recommendation**

THAT the report be received.

#### **Recommended Reason**

To present an update on the progress of our key capital projects in the 2021/22 financial year, as requested in the September 2021 Audit and Risk Committee meeting.

JAMIESON/VOLZKE  
Carried  
A&R/21/50

The Director Assets noted that the report is provided at the request of the committee and will become a regular item on the Audit and Risk Committee agenda. It provides elected members with an easy to see update on key capital projects. Council will continue to develop tools and processes to manage current projects. A recently established role with oversight of all capital projects will aid with project delivery going forward.

#### Questions/Points of clarification:

- Councillor Erwood sought clarification on the \$273,995 in costs associated with the bike park which was thought to have been completely funded by central government. Mrs Radich clarified that appendix 1 shows costs paid out (in this case, contract costs) to date, regardless of funding, but not income coming in.
- The Chair asked for an explanation of the table in appendix 1. Mrs Araba clarified that the green graphs the end of the project. Mrs Radich clarified that the next report will show an estimate of contract payments.
- Mrs Araba clarified that no projects were suffering from delays in receiving materials, when asked by the Chair. Mr Hanne noted that the biggest risk in this area probably came from the new pool development but that the contract team had been able to order materials in advance of the most recent covid lockdown and was therefore not impacted, as yet.
- The Chair confirmed that, moving forward, this report will come to each Audit and Risk Committee meeting with dollars included.

14. Information Report – Central Government Reforms  
D21/40500 (Page 171)

**Recommendation**

THAT the report be received.

**Recommended Reason**

To provide Elected Members with a high level assessment of the wide range of Central Government driven reforms currently under way and the likely impact on local government in general and this council in particular.

JONES/DALZIEL  
Carried  
A&R/21/51

Questions/Points of clarification:

- The Chair clarified that LGNZ could influence the reforms through working group participation.
- Councillor Dalziel acknowledged the well written report and summary. He asked how staff were feeling about the reforms. Mr Hanne responded that the reform programme undermined how people felt about the future and how they saw themselves fitting into that future. In terms of workload, 1-2 fulltime equivalent positions have provided continuous responses. Coupled with that additional pressure, staff had continued to do an exceptional job in project delivery while feeling, like everyone else in the country, tired, anxious and generally 'cooped up'. As an organisation, the Council was in a 'bidding' type situation for quality staff, for example, building staff. Local government staff generally have a unique skill set and are hard to train. While we are not seeing it at the moment, big job changes are on the horizon. In addition, staff are being reminded about personal wellbeing, which is often put aside in busy times.
- The Mayor noted that the lack of questions from elected members should not be regarded as an acceptance or agreement of the reforms.
- The Chair noted that there has been a breakdown in relationship between local government and central government. As with Three Waters, central government 'holds all the cards'. As a council, we have to carry on to do the best for our communities.
- Councillor Boyde asked whether council were able to 'front foot' human resource requirements around reforms. Mr Hanne clarified that different reforms would require different approaches and that, if additional resource is required, he would address this.
- Councillor Boyde added that, despite the reforms, the same consistent high level of service needed to be maintained. The Chair agreed that business as usual needed to continue and that as we progressed down the transition route, resources would likely be diverted from other areas.
- Mr Hanne added that some of the transition agencies would likely make offers to council's best staff.

15. General Business

No general business was discussed.

16. Questions

No questions were asked.

## 17. Karakia – closing

The closing karakia 'Kia Uruuru Mai' was conducted by the Director Corporate Services.

*The meeting closed at 3.13pm.*

P Jones  
**Chairman**

Confirmed this 15<sup>th</sup> day of March 2022.

N C Volzke  
**District Mayor**