

MINUTES

Audit and Risk Committee

F19/13/05 – D21/33297

Date: Tuesday 21 September 2021 at 2pm
Venue: Council Chambers, 63 Miranda Street, Stratford

Present

P Jones (the Chair – *via audio visual link*), the District Mayor N C Volzke, Councillors J M S Erwood, P S Dalziel and M McKay.

In attendance

Councillors G W Boyde, G M Webby and W J Sandford.

The Director Corporate Services – Mrs T Radich, the Director Assets – Mrs V Araba, the Directory Community Services – Ms Kate Whareaitu, the Director Environmental Services – Mr Blair Sutherland, the Administration and Communication Support Officer – Ms R Vanstone, the Corporate Accountant – Mrs Christine Craig, 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 two members of the media (Stratford Press and Taranaki Daily News – *via audio visual link*).

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

No apologies were received.

3. Announcements

No announcements were made.

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.

ERWOOD/McKAY
Carried
A&R/21/34

The Chair noted that the workshop planned for today has been deferred to the next meeting (material has been uploaded to the Diligent Resource Centre for this).

7. Confirmation of minutes

7.1 **Audit and Risk Committee Meeting Minutes – 20 July 2021**
D21/26251 (Page 8)

Recommendation

THAT the minutes of the Audit and Risk Committee Meeting held on Tuesday 20 July 2021 be confirmed, with any amendments, as a true and accurate record.

DALZIEL/VOLZKE
Carried
A&R/21/35

8. Matters Outstanding
D18/27474 (Page 15)

Recommendation

THAT the matters outstanding be received.

JONES/McKAY
Carried
A&R/21/36

The Chair noted that the item on cyber insurance could now be removed from Matters Outstanding.

Questions/Points of clarification:

- Mr Hanne noted that upon looking at the prequalification process, it became evident that a more comprehensive framework review was required. He sought to have the Health and Safety Framework Review brought back to the next meeting. The Chair and committee agreed to this request.

9. Information Report – Health and Safety
D21/31852 (Page 16)

Recommendation

THAT the report be received.

McKAY/DALZIEL
Carried
A&R/21/37

Questions/Points of clarification:

- Councillor Boyde stated that he was pleased to see that the aerodrome work has started.

The Health and Safety/Civil Defence Advisor left the meeting at 2.12pm.

10. Information Report – Audit NZ – Audit Matters Outstanding
D21/31863 (Page 19)

Recommendation

THAT the report be received.

DALZIEL/ERWOOD
Carried
A&R/21/38

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

Questions/Points of clarification:

- Councillor Dalziel sought clarification on how the Capital Expenditure do-ability item (Appendix 1 – page 21 refers) would be closed off, suggesting that the item could be reviewed on an annual basis if Audit NZ found this to be a satisfactory way forward. The Chair clarified that it is this committee's responsibility to monitor the risks around the do-ability of the capital programme. He and Mr Hanne will discuss further the process to monitor key projects. Mr Hanne added that he is in favour of regular reporting which would give Audit NZ some confidence.
- Councillor Boyde noted the difficulty in monitoring capital expenditure in the current climate. The Chair responded that realistic targets assist councils in this area and Mr Webby added that Audit NZ take lockdowns into account when monitoring.
- Mr Hanne clarified that this council had completed an exercise last year looking at the completion of capital projects. He commented that Stratford historically sits at around 80 per cent of the capital project completed within the timeframe.
- Mrs Radich added that budgeted costs was the second measure to be considered when looking at capital expenditure do-ability. The Chair clarified that budget, timelines and level of service were all considerations.
- Councillor Dalziel asked how council would overcome the issue raised regarding the Financial Budget Model (Appendix 1, page 22). Mrs Radich clarified that the council had looked at different budget models and software solutions 3 years previously and had come to the conclusion that it suited this council to refine what was already in place – a spreadsheet – and to eliminate errors on the spreadsheet, likely due to incorrect data input. Mrs Radich added that the issue would be revisited however.
- Mr Webby noted that budget models were equipped to pick up errors and that this was critical because incorrect input into the wrong cell had huge flow on effects for rates requirement and debt.
- The Chair was satisfied that an options paper would come back to this committee for consideration including an explanation of sufficient controls throughout the spreadsheet, and giving council some comfort that the numbers are correct.

11. Information Report – Annual Report Update 2021

D21/31840 (Page 23)

Recommendations

1. THAT the report be received.
2. THAT the Audit Engagement letter and Audit Proposal Letter for the years ended 30 June 2021 and 2022 be received and the District Mayor is authorised to sign both on Council's behalf.

JONES/DALZIEL
Carried
A&R/21/39

The Director – Corporate Services noted that work is progressing for auditors to commence on 26 October - a bit later than usual.

Questions/Points of clarification:

- Mr Webby noted that the reasons for audit timing this year and next were due to auditor shortage and Covid-19. The Annual Plan should be adopted by council in December.
- Councillor Dalziel asked what area auditors would focus on in the fair value assessment of assets. Mr Webby noted that auditors would be looking at whether fair value and carrying amounts were different.
- Mayor Volzke asked how auditors would assess the impact of three waters reform since council appeared not to know yet. Mr Webby responded that Audit NZ would look at the treatment of any money council may receive.
- The Chair noted that borrowing was less than budget despite the A&P Association loan. He asked why debt was not higher. Mrs Radich responded that this goes back to the delivery of capital expenditure. The pool, due for completion in 2022 and the timing of that completion and how the budget was allocated are the key reasons.

The Audit Director left the meeting at 2.38pm.

12. Information Report – Risk Review

D21/31913 (Page 71)

Recommendation

THAT the report be received.

ERWOOD/DALZIEL
Carried
A&R/21/40

The Director Corporate Services noted that:

- The report highlights some of the risks which council has been actively managing since the last meeting.
- Elected members have been kept apprised of discussions and thinking relating to three waters reforms and *Risk 78 - Government policy impacting on Local Government* has been upgraded from very high to extreme.
- Council was able to continue operating essential services during August's Covid lockdown. Many lessons were learnt from the previous lockdown.
- *Risk 58 - Contractor Damage or Breach* – a piece of work is in progress including the prequalification system which has been discussed previously by this committee.

Questions/Points of clarification:

- Councillor Dalziel considered that the risk grade for *Risk 12 - Cyber Attack* should be higher. Currently it looked like council accepted that it had enough adequate controls in place to stop an attack. He added that it was only a few weeks ago that a major NZ bank was attacked.
- Mr Hanne responded that the sort of attack that Councillor Dalziel referred to would not directly impact council's data and council is not using the types of legacy systems which some organisation's have had hacked recently.
- Mrs Radich clarified that the raw and residual risk grades illustrated that a cyber attacker might get into council's system but could not necessarily damage it. With controls in place it was possible, rather than likely that an attack could occur. The committee may wish to consider penetration testing as a regular activity however.
- Councillor Dalziel warned against complacency.

13. Information Report – Internal Audit Findings

D21/30310 (Page 78)

Recommendation

THAT the report be received.

DALZIEL/JONES
Carried
A&R/21/41

The Corporate Accountant noted that the internal audit had proceeded well and that the staff involved had enjoyed the learning opportunity that the audit provided.

Questions/Points of clarification:

- Councillor Dalziel congratulated the finance team on a good approach and report including detailed findings which give confidence that internal controls are present and are being followed.
- The Chair asked if any reviewed risks could be considered for an upgrade in residual risk rating. Mrs Craig responded that the lone worker ratings could be explored further and Mr Hanne confirmed that council is currently looking at other lone worker solutions/products.
- Mayor Volzke commented on the high degree of practical application when considering the outcomes of the report. He added that the principle of the internal audit exercise and the outcome were very good. Councillor Boyde agreed.
- The Chair noted that he would like to see all councils complete this level of internal audit.

14. Information Report – Tax Audit

D21/31471 (Page 89)

Recommendations

1. THAT the report be received.
2. THAT the Committee reviews the final tax audit report provided by PWC and accepts the recommendations and actions to address these.

ERWOOD/McKAY
Carried
A&R/21/42

The Director – Corporate Services noted that the overall audit outcome was positive and that council was, with the exception of Fringe Benefit Tax (FBT), treating its relevant taxes correctly. A discrepancy in the way FBT was calculated resulted in an underpayment which will be rectified.

15. Information Report – Water Supply Heavy Metals Monitoring Report
D21/31696 (page 108)

Recommendation

THAT the report be received.

JONES/McKAY
Carried
A&R/21/43

Questions/Points of clarification:

- Mayor Volzke sought an assurance that the reported monitoring levels were compliant with standards and that the levels supplied (in the appendices attached to the report) were comprehensive. The Director Assets confirmed this to be the case.

16. General Business

No general business was discussed.

17. Questions

No questions were asked.

The meeting closed at 3.03pm.

P Jones
Chairman

Confirmed this 16th day of November 2021.

N C Volzke
District Mayor