

# MINUTES

## Audit and Risk Committee

F22/55/05 - D22/47533

Date: Tuesday 6 December 2022 at 2pm  
Venue: Council Chambers, 63 Miranda Street, Stratford

### Present

Mr P Jones (the Chair), the District Mayor N C Volzke, the Deputy Mayor M McKay, Councillors: G W Boyde, J M S Erwood and V R Jones

### In attendance

Councillors: S J Beck, W J Sandford and A K Harris (*via audio visual link*)

The Chief Executive – Mr Sven Hanne, the Director – Community Services – Ms K Whareaitu, the Director Assets – Mrs V Araba, the Director – Corporate Services – Mrs T Raich, the Director Environmental Services – Mr B Sutherland, the Committee Advisor and Executive Assistant – Mrs E Bishop, the Health & Safety/Civil Defence Advisor – Mr M Bestall (*part meeting*), the Corporate Accountant – Mrs C Craig (*part meeting*), the Projects Manager/Engineer – Mr S Taylor (*part meeting*), the Roading Asset Manager – Mr S Bowden and one member of the media (Stratford Press).

*Via audio visual link: Pam Thomson and Yan Oon (Deloitte (part meeting))*

#### 1. Welcome

The opening karakia was read.

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

The Chair reiterated the health and safety message and emergency procedures.

#### 2. Apologies

Apologies were noted from Councillor A M C Dudley and C M Tongaawhikau.

#### Recommendation

THAT the apologies be noted.

VOLZKE/ERWOOD  
Carried  
A&R/22/45

#### 3. Announcements

The Chairman welcomed the auditors from Deloitte. He noted that approval had been given to move item 15 – Correspondence to be considered now. This was to allow representatives of Deloitte to present on the Annual Report and audit process.

## Item 15 – Correspondence.

Pam Thomson of Deloitte presented to the Audit and Risk Committee, the auditors report was tabled as correspondence and had been circulated to the Committee. The following points were noted:

- The audit is largely completed, however there are minor points that are still being worked through such as the substantive testing, financial reporting and regulatory matters.
- The Financial Statement Disclosure in regard to the three waters will still be included, however it is awaiting the Auditor General to release the proposed changes.
- The highlighted areas of focus have not changed since the original planning document. The significant risk around property, plant and equipment has been one of the key focuses with increasing costs, supply chain issues and disruptions. Valuations were completed for roading and water assets and discussions held with the valuers with no concerns identified. It is recommended in the future to align the valuations with the year-end especially given the significant movement in prices and inflation over the past 12 months. Not aligning these requires additional procedures to be undertaken by auditors and management to ensure nothing has changed materially.
- It was noted the area of focus – Management’s ability to override controls was not something specific to this council but to do with auditing standards. It is about understanding key controls around reporting processes and following general testing from set and detailed criteria there were no identified material issues.
- Revenue recognition is always considered an important focus, there were no issues that were found.

Questions/Points of Clarification:

- The District Mayor questioned if there was any advice for looking to plan ahead with the Annual Plan with the unknown outcomes of the three waters reform. Ms Thomson noted that auditors appreciated the challenges that councils have and will continue to liaise with the Auditor General on all issues faced by the sector to understand what needs to be done going forward, this can only be done once the bill is accepted and it is known what the various amendments are.

Yan Oon noted the following points in completing the presentation:

- The area of focus relating to the public sector specific procedures is largely determined by the Auditor General and where there are concerns around good practice guidance, specifically around sensitive expenditure, conflicts of interest and severance payments. There were no identified matters or issues but there were a couple of improvement points which will be communicated with management and some best practice examples to refer to.
- The impact of Covid-19 has been an area of focus of for a couple of years now and there are areas that will continue to be impacted, such as the valuation of assets or whether there are changes required for internal controls. There were no identified matters of issue.
- The area of focus for the Statement of Service performance is where council is required to include a statement around the performance framework including in the Long Term Plan. It is important to record performance to ensure council is meeting legislative requirements and that they are consistent with the 2021-2031 Long Term Plan. There were no identified matters of issue.
- The area of focus relating to Climate Change and Natural Hazards relates specifically to the Long Term Plan and if there is a need to consider these in the financial provisions. This has been discussed with management to see what they have done in terms of the long term plan. There were no identified matters of issue.

Ms Thomson concluded the presentation:

- A separate report will be provided to management post signing the financial statements. Based on the report to date there is nothing identified that will have a material impact.
- There is one unadjusted difference relating to the fair value of Percy Thomson Trust investments to be revalued for consolidation purposes to be carried to cost in council's statements.
- It was confirmed that the Annual Report was on track for adoption by Council on 13 December 2022 and that it was expected an unmodified opinion would be issued.

#### 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

D21/42807 Page 10

##### **Recommendation**

THAT the Audit and Risk Committee's rolling programme of works up to the end of 2023 be received.

BOYDE/VOLZKE  
Carried  
A&R/22/45

#### 7. Confirmation of Minutes

##### **7.1 Audit and Risk Committee – 20 September 2022**

D22/36176 (open) D22/36102 (PE) Page 11

##### **Recommendation**

THAT the confirmed minutes of the Audit and Risk Meeting of Council held on Tuesday 20 September 2022 be received.

P JONES/ERWOOD  
Carried  
A&R/22/45

#### 8. Matters Outstanding

D18/27474 Page 19

##### **Recommendation**

THAT the matters outstanding be received.

ERWOOD/McKAY  
Carried  
A&R/22/45

**Recommendation**

THAT the report be received.

V JONES/P JONES  
Carried  
A&R/22/45

The Health and Safety/Civil Defence Advisor noted there had been a further four incidents at the pool to the end of November.

Questions/Points of Clarification:

- Mr Bestall noted that the lockdown at the library had highlighted the need for an actual procedure for this sort of event to be added to council's emergency procedures.
- The District Mayor noted his concern regarding the situation with Puniwhakau Bridge and Worksafe entering the discussion. He felt if the bridge was deemed as a workplace then would a road be considered a workplace? Mr Hanne noted that subsequent statement had been received from Worksafe requesting progress before the logging company needed to cross over the bridge again. Council was in discussion with Waka Kotahi regarding a legal opinion on worksafe's directive. The District Mayor requested that this issue also be raised with Local Government New Zealand. It was noted that there had been damage made to the bridge in February from the logging company. Additional scaffolding has been added to raise the handrail and consultants had undertaken an inspection of the bridge who have stated in their opinion it is still ok to carry 44 tonne loads as it was strengthened for in 2012. A status update was requested to be added to the matters outstanding. The immense concern over the precedent this complaint could take was noted.
- Councillor Boyde noted that council had not been advised of the incident at the aerodrome and Mr Bestall noted that an incident of this nature should have been communicated to council.
- The Chair requested further clarification on incidents with either no further action required, remedial action proposed or remedial action undertaken.

**Recommendation**

THAT the report be received.

P JONES/V JONES  
Carried  
A&R/22/45

**Recommended Reason**

The Audit and Risk Committee is tasked with reviewing and monitoring the internal audit activities of Council on behalf of elected members.

Questions/Points of Clarification:

- It was noted that the contractor management results were largely due to the specialist skillset required for the contracts reviewed. The Procurement Policy was not applied because it would not have delivered the desired outcome. It has highlighted that there is also a lack of contractual agreements in these cases. The Procurement Policy will be reviewed to ensure council is able to find the right source for the required work and at the same time improves its processes.
- It was noted that eye checks for staff were a recommendation from this report. The Chief Executive noted there were a number of health checks provided to staff, however eye checks were not currently on this list and would require an increased budget which could be discussed during the Annual Plan

process. He noted health checks were undertaken with staff who have regular exposure to high-risk areas. It was noted that the internal audit plan was in the programme of works and would be brought back to this committee.

*The Corporate Accountant and Health and Safety/Civil Defence Advisor left the meeting at 3.09pm.*

#### 11. Information Report – Capital Works Programme – Key Projects Update – November 2022

D22/44738 Page 39

##### **Recommendation**

THAT the report be received and that the Audit and Risk Committee note their appreciation and congratulation to staff for the Transport Choices Funding allocation.

VOLZKE/BOYDE

Carried

A&R/22/45

##### **Recommended Reason**

To present an update on the progress of our key capital projects in the 2022/23 financial year.

The Project Manager/Engineer noted that since the report had been printed there had been an announcement regarding the Transport Choices Fund of which Stratford District Council was one of 46 councils to receive funding. This will go towards the town centre, school safety and connecting our community projects and means some long term plans have been brought forward. He noted one of the keys to being successful with this funding was that these projects were already in council's plans. Stratford has also been listed as a flagship project.

Questions/Points of Clarification:

- The District Mayor acknowledged and thanked the staff involved in this funding application as it had little preparation time to submit the application.
- The Chairman questioned what the Chief Executive's confidence was to complete these extra capital works. Mr Hanne noted council had achieved 80% of work in the previous year with the remaining 20% being picked up in the new financial year. He was hopeful that performance would be at a similar level.

#### 12. Information Report – Risk Management

D22/45421 Page 47

##### **Recommendation**

THAT the report be received.

ERWOOD/P JONES

Carried

A&R/22/45

##### **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, since the last Committee meeting.

The Director – Corporate Services noted that councils were being encouraged to submit on the Future for Local Government Review on their accord with submissions closing on 28 February 2023.

Questions/Points of Clarification:

- It was clarified that submissions for the Resource Management Act reform closed on 30 January 2023. It was noted that the mayors at the recent Zone 3 meeting had signed a letter to the select committee regarding the timeframe and asking for an extension.

13. Information Report – Service Delivery (Section 17a Reviews) Update

D22/46483 Page 62

**Recommendation**

THAT the report be received.

McKAY/ERWOOD  
Carried  
A&R/22/45

**Recommended Reason**

To give an update to the Committee on the status of the Service Delivery (Section 17a) Reviews.

The Director – Corporate Services noted this report provided an update on these reviews. The first meeting will be held on 13 December 2022 and an update will be provided at each Audit and Risk Committee meeting.

Questions/Points of Clarification:

- The Chairman noted the amount of work that was currently in front of council and questioned if there was a significant benefit in undertaking these reviews? Mrs Radich noted a cost benefit by activity will be undertaken but that these reviews will help guide council through the Long Term Plan. The reviews are worthwhile but the project team will need to be selective about what is reviewed and to what depth.
- It was clarified that the inclusion of Elected Members was raised by Elected Members and would provide them with good insight and an opportunity to participate by asking the questions the community may ask. It was confirmed they will receive good guidance on the process.
- It was clarified that any consultation that arises from this process will be undertaken through the normal consultation process which will include consulting with mana whenua.

*The Projects Manager/Engineer left the meeting at 3.27pm.*

14. Decision Report – Three Water Reforms – Risk Management

D22/46201 Page 95

**Recommendations**

1. THAT the report be received.

ERWOOD/McKAY  
Carried  
A&R/22/45

2. ~~THAT the Committee consider the discussion points listed in 7.4 of this report, and decide whether further investigation is required for each.~~

**Recommended Reason**

To assist and guide the Committee in managing all aspects of risk in relation to the Three Waters Reform.

The Director – Corporate Services noted the following points:

- This report was requested by Elected Members to present the financial risks to council with the three waters reforms.
- It is hoped that this committee will provide guidance towards any changes that may need to be considered in the 2022/23 Annual Plan as next year will be the last year with the three waters assets within the plan.
- The four options in 7.4 were just suggestions for the committee to consider.

#### Questions/Points of Clarification:

- The District Mayor noted his congratulation on this report and that it was one of the most accurate and concise reports that he had read on this subject. He noted that the report highlighted many of the deficiencies and unknowns that there are including the inability to make meaningful decisions when what the future looks like is unknown. He noted that at the recent Rural and Provincial meeting, National's Chris Bishop, had presented and noted that the repeal would very much depend on how far down the track this process was. He had stated the most likely change would be the chance to develop your own bespoke model for the region and potentially neighbouring areas. Mayor Volzke noted that a fairly conservative approach to the options presented must be taken as each of the scenarios presented would result in the assets ownership being transferred from council. He felt to stop funding depreciation would be a bold step.
- Councillor Boyde agreed with the District Mayor and noted that with so many unknowns and potential changes made it very difficult to make decisions. He noted his reservations in making big judgement calls at the moment.
- Deputy Mayor McKay noted the option to charge for the information being requested and asked if council had been charging to date. Mr Hanne noted that the information request had effectively been offset by the Better Off Funding packages which expected councils to engage in good faith with the process. The funding received well exceeds the amount that would have been charged in terms of LGOIMA charges.
- Mrs Radich clarified that with the 'no worse off' review she had presented debt to revenue and other covenants pre-reforms and post reforms under the anticipated scenario that is currently before parliament. This does show a slight worsening of some of councils ratios which may need to be looked into for council to continue to invest in capital works and investment projects. Council could either put a cap on some of its loan funded projects, or allocate some of the no worse off funding to debt but this depends on the funding to debt ratio with the three waters and future loan funded capital expenditure program.
- Mrs Radich clarified that council was still very low in its covenants and at this stage would not require these to be readjusted to borrow for further projects, but extra caution was required.
- The District Mayor noted the original intention was that debt would go to the new entity, however this will now remain on council's balance sheet with the new entity servicing the loan. The Chairman noted that there will not be further clarification until the next water services bill is passed by parliament which should be introduced before Christmas. He noted that all that was certain was that there was change coming and councils needed to prepare themselves and get into the best position possible.
- The Chief Executive noted that funding depreciation had been reduced in the last Annual Plan in light of the reforms to positively impact rates.
- It was noted that the options had been presented to give the committee the opportunity to consider them, however it was decided to not pursue these at this time.

#### 15. Correspondence

*Presented during announcements.*

#### 16. General Business

There was no general business.

#### 17. Questions

#### 18. Closing karakia

D21/40748 Page 106

The closing karakia was read.

*The meeting closed at 3.46pm.*

P Jones  
**Chairman**

Confirmed this 14<sup>th</sup> day of March 2023.

N C Volzke  
**District Mayor**