

MINUTES

Audit and Risk Committee

F22/55/06 – D23/41071

Date: Tuesday 19 September 2023 at 2.00pm
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, E E Hall and W J Sandford

The Chief Executive – Mr S Hanne, the Director – Assets – Mrs V Araba, the Director – Environmental Services – Mr B Sutherland, the Acting Director – Community Services – Mr C Julie, the Acting Director – Corporate Services – Mr B Coles, the Committee Advisor and Executive Assistant – Mrs E Bishop, the Roading Asset Manager – Mr S Bowden, the Project Manager – Mr S Taylor, the Corporate Accountant – Mrs C Craig, the Communications Manager – Ms G Gibson, the Asset Management Coordinator – Mrs N McLeod (*part meeting*), the GIS Officer – Mr G Clarivette (*part meeting*) and the Sustainability Advisor – Ms V Dombroski (*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, A K Harris and C M Tongaawhikau.

3. Announcements

There were no announcements.

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 11

Recommendation

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

P JONES/VOLZKE
Carried
A&R/23/36

The Chairman requested that three water reforms be added to the programme of works so that as council gets more certainty any changes or arising risks are brought to this committee on an as needed basis. There will be some significant changes to the risk profile around three waters.

7. Confirmation of Minutes

7.1 Audit and Risk Committee – 18 July 2023

D23/31366 (Open) and D23/31043 (PE)

Page 12

Recommendation

THAT the minutes of the Audit and Risk Meeting of Council held on Tuesday 18 July 2023 be confirmed as a true and accurate record.

BOYDE/ERWOOD
Carried
A&R/23/37

8. Matters Outstanding

D18/27474

Page 23

Recommendation

THAT the matters outstanding be received.

P JONES/BOYDE
Carried
A&R/23/38

It was noted that the workshop to discuss the Treasury Policy would be held prior to the Audit and Risk Meeting in November.

9. Information Report – Health and Safety
D23/39038 Page 24

Recommendation

THAT the report be received.

P JONES/McKAY
Carried
A&R/23/39

The Chief Executive noted the following points:

- The contact with electricity incident happened at the Percy Thomson Gallery, this has been reported to Worksafe. Based on council's investigations Worksafe did not see the need to insert themselves into the investigation, it was good to note that a proper ladder with a guard was being used.
- Aggressive customers is an on-going problem.
- There will be a stand-up civil defence training organised when the new software for the regional civil defence system is available.

10. Information Report – Critical Assets Replacement
D23/32413 Page 27

Recommendation

THAT the report be received.

McKAY/BOYDE
Carried
A&R/23/40

Recommended Reason

To present a report on critical assets nearing the end of their lives and the costs associated with renewing them.

The Communications Manager joined the meeting at 2.09pm.

The Director – Assets noted the following points:

- This report looks at \$53 million worth of assets that are in the last 10% of their life, or 90% of consumed life.
- As funding is allocated for renewal officers can prioritise the assets based on how critical they are and which ones have the greatest consequence from a failure. Additional funding can be used for building resilience as was gained with the second trunk main.
- This data has been taken from Asset Finda which is validated, current and correct which is important with water as officers rely on the data. Roading data is stored within the RAMM database, but it is easier to visibly see when a road is failing.

The Sustainability Advisor joined the meeting at 2.11pm.

Questions/Points of Clarification:

- It was clarified that table 2, page 35, is critical work that has been identified as needing to be done in the next 10 years. As funding is available then work will be prioritised. It was noted that some assets outlive their asset life and as they get old they have intensive management on them with more inspections.
- The District Mayor noted there were some items on the list that literally only look after one property, such as the bridge on Lower Kohuratahi Road. He noted these have been maintained and looked after for years but wondered if council had to have a real think about committing funding to this when it is the equivalent to a year's roading budget and only servicing one or two properties. He asked when

the time would come to look at alternative options, alternative access or alternative funding and noted he did not want to see this list become an automatic work list. The Chief Executive noted that these will be brought to council as part of the Long Term Plan budget discussions and that they will remain on the list until a way is found to remove them. Legal reviews have been obtained on replacing roads council has maintained over time and leading on from that it is important to highlight any likely funding obligation to councillors.

- The Chairman noted that water assets were predominately assessed by age as it is impracticable to get good condition information with the exception of wastewater assets. This is an issue that needs to be considered by council as one of the concerns is the asset may not last as long as expected based on condition. He asked if there was a way of doing samples and investigation to get that data? Mr Hanne noted that life expectancy is a local life expectancy as officers judge the behaviour of these pipes. Most pipes were laid at the same time, from the same batch and are sitting on the same material. The material that is held in Stratford allows officers to get assets back running without a major disruption.
- Councillor Hall questioned if depreciation had been fully funded for the lifetime of these assets would the required funding of \$5.6 million be there in case of a failure? It was clarified that the depreciation 20 years ago is not the same amount as it is now as revaluations are undertaken every three years as the costs of replacements increased. The Chair noted there was no legal obligation to fund depreciation but there was a legal obligation to have a balanced budget and a requirement to act prudently when managing income and revenue including how renewals will be funded. These obligations are further complicated by prudence regulations for budgets.

11. Information Report – Capital Works Programme – Key Projects Update – September 2023

D23/38007 Page 44

Recommendation

THAT the report be received.

ERWOOD/V JONES
Carried
A&R/23/41

Recommended Reason

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

The Asset Management Coordinator left the meeting at 2.26pm.

Questions/Points of Clarification:

- It was clarified that the colours in the spreadsheet are based on timeframes and if it is likely to be delivered in this financial year. The risk level was based on council's matrix for risk.
- It was clarified that the likelihood of completion assumptions were based on the ability to deliver within timeframes, but that officers are still experiencing higher costs with engineering estimates and low numbers of tenders being received making it a non-competitive market. It was too early to tell if budgets were sufficient but as projects progress the table will change colour if a project is impacted by costs. Some projects may have the scope changed to fit the budget, others do not allow for any change.
- It was clarified that the project at the Dawson Falls carpark was to build a footpath from the lodge to the Dawson Falls track as a result of a safety audit completed by DOC a few years ago and the concern about pedestrians walking on the road. It is red as DOC want a biodiversity plan. As a special purpose road it is fully funded by Waka Kotahi. The District Mayor noted that Waka Kotahi had contemplated returning this road to council which would remove its special road status, he noted if the status changed council would not be willing to put in its share for this work.
- It was clarified the budget for the Midhirst Resource Consent was an estimate as it is unknown at the time what will be required in terms of reports. In this instance it looks like it will come well under budget as good discussions have been held with iwi and Ngāti Ruanui will be preparing a statement on behalf of all iwi connected to the stream which will be sufficient for the Taranaki Regional Council to issue the renewal. A freshwater biologist has also already completed an assessment. This is capital works, so if the funds are not required they will not be borrowed.

- Councillor Boyde questioned what was holding up work on the round-a-bouts and asked if Waka Kotahi were not coming to the party for any costs? The Roading Assets Manager noted that there were a few things required for the round-a-bout upgrades including modelling to determine traffic flow for the pedestrian crossings. It was noted that Waka Kotahi see these as council's assets and were unlikely to provide funding for an upgrade. The District Mayor noted that as these sat on state highways they were most definitely a Waka Kotahi asset and they should be looking after their assets. Mr Bowden noted they will not pay for beautification of a community amenity but that they could function as just concrete. It was clarified that this was regarding the middle of the round-a-bouts, stonework walls and the hedges in the round-a-bouts. Councillor Sandford noted that due to the amount of complaints received about the round-a-bouts a flat concrete round-a-bout could be the answer.

The GIS Officer and Projects Manager left the meeting at 2.43pm.

12. Information Report –Audit Matters Outstanding – Deloitte Annual Audit
D23/37598 Page 59

Recommendation

THAT the report be received.

P JONES/McKAY
Carried
A&R/23/42

Recommended Reason

This report informs the Committee of the issues identified in the final Deloitte Audit Management Report for the 2021/22 Annual Report and, summarising the actions that have or intend to be taken by Council officers to respond to audit recommendations with respect to each issue raised.

Points noted in discussion:

- Councillor Boyde noted council's frustration with the costings of audit and that he could not see how it could be sustainable especially with the added time spent by council staff on this work. He noted his preference to have audits moved to every couple of years.
- The District Mayor noted that the progress to date was already in excess of the inflated hours in the proposal.
- Councillor Boyde questioned if there were issues internally? He noted South Taranaki District Council was paying a lower fee. Mr Hanne noted that Deloitte's had justified their hours as a result of changing auditors, changing legislation and internal council processes. When questioned on this they have been unable to deliver details regarding the council processes quoted and offered to remove the references to council processes. He noted the spreadsheet compared by the Director – Corporate Services comparing audit fees against council budgets, per capita and other factors, had Stratford on top in every scenario. He acknowledged that the same number of transactions are tested for a smaller council as at a larger council, but that our ratepayers were paying \$25 per capita for the audit where as Hasting's ratepayers were paying \$2.5 per capita.
- The Chairman noted that the accounting standards are continuing to increase so the complexity of what is required to be produced keeps going up and up. As a result of this audit standards go up and up. He felt a lesser threshold and to fix the accounting standards was what was needed. Auditors have become very risk adverse because of previous mistakes.
- Councillor Boyde asked what value was received from the audit? The Chairman questioned what the value was in the Long Term Plan when there is no requirement to have anything in there about three waters after the transition date, therefore what will the plan and subsequent audit look like? He felt there was more debate coming regarding the audit of the Long Term Plan as how can it be audited with that amount of uncertainty.
- Mr Hanne noted that council has written to the Office of the Auditor General (OAG), met with representatives from the OAG and was working with the whole sector on engagement with the OAG. He noted that the OAG was quite clear that audit engagement should be a negotiation and half of councils did not realise this should be a negotiation process. Some councils had noted they were able

to get a 10% discount from their auditors, however it would be better to reduce the fee by improving the process and time spent on the audit.

- Councillor Boyde noted there were pressures on councils everywhere and the cost of audit is part of this. He was looking forward to a breakdown so that the cost per ratepayer can be seen and noted it was fundamentally important to ensure our community knows it is out of councils hands. It was requested that the Chief Executive circulate the comparison table of audit fees and cost per ratepayer.

13. Information Report – Risk Management (update)

D23/38263

Page 76

Recommendation

THAT the report be received.

V JONES/ERWOOD
Carried
A&R/23/43

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.

Questions/Points of Clarification:

- It was noted various processes had been enacted for cyber protection.
- It was noted that the date for the Affordable Waters Transition for Entity D had been confirmed as 1 April 2025.

14. Decision Report – Approve draft Annual Report 2022/23

D23/37754

Page 94

Recommendations

1. THAT the report be received.
2. THAT the **draft** Annual Report 2022/23 be approved, pending any audit changes or further amendments.

P JONES/BOYDE
Carried
A&R/23/44

Recommended Reason

The Committee is tasked with providing oversight of compliance with statutory responsibilities relating to financial and other requirements, and reviewing the external annual audit findings.

The Corporate Accountant noted officers were still working through requests for further information from auditors. A meeting is scheduled for Thursday to receive an update on the Annual Report. No changes had been received that would change the draft report presented.

Questions/Points of Clarification:

- Councillor Jones noted there was an error on the table on page 223 (page 122 of Annual Report) for his remuneration.

The Sustainability Advisor left the meeting at 3.10pm.

- Page 222 (page 121 of Annual Report) – amend Resource Management Act 1919 to 1991
- Councillor Jones felt the work on State Highway 43 should not be mentioned in the Annual Report as it was a project that had nothing to do with council – it needs to be clear that the work is not undertaken nor funded by council. The District Mayor noted council had lead a strong advocacy role for this work

to happen and while council was not the owner or service provider of the highway but in terms of a single asset this is one that council has spent more time advocating for over the past 60 years than any other asset.

15. Correspondence

15.1 2023 LGFA Annual Report *Page 244*

15.2 LGFA – An Explanation of Council Borrowing from LGFA and LGFA Guarantee *Page 246*

The Roading Asset Manager left the meeting at 3.15pm.

- It was explained that the only organisations that can borrow from the LGFA is Local Authorities and Council Controlled Organisations as that is how it has been set up as the ratepayers secure the loan. Therefore the water entities could not borrow from LGFA. It was further explained if the security failed then LGFA would fail. If a council could not pay its debt then as part of the loan documentation and debenture then a commission can be appointed to set a targeted rate to repay the debt. The commissioner/council also has the ability to sell properties if required. The District Mayor further clarified that councils and ratepayers are one and the same.

16. General Business

There was no general business.

17. Questions

There were no questions.

18. Resolution to Exclude the Public

RECOMMENDATION

THAT the public be excluded from the following parts of the proceedings of this meeting, namely:

Agenda Item No: 19

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution to each matter	Grounds under section 48(1) for the passing of this resolution
Cyber Risk Prevention	The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist, under section 6 and section 7 of the Act - specifically Section 7(2)(b)(ii). (Section 48(1)(a) Local Government Official Information and Meetings Act 1987.

McKAY/ERWOOD
Carried
A&R/23/45

19. Public Excluded Item

Recommendation

THAT the open meeting resume.

McKAY/BOYDE
Carried
A&R/23/47

20. Closing karakia

D21/40748 Page 257

The closing karakia was read.

The meeting closed at 3.52pm.

P Jones
Chairman

Confirmed this 21st day of November 2023.

N C Volzke
District Mayor