
**MINUTES OF THE AUDIT & RISK COMMITTEE MEETING OF THE
STRATFORD DISTRICT COUNCIL HELD IN THE COUNCIL
CHAMBERS, STRATFORD DISTRICT COUNCIL ON TUESDAY 21
JULY 2020 AT 4.05 PM**

PRESENT

K Denness (the Chairman), the District Mayor N C Volzke, the Deputy Mayor A L Jamieson, Councillors P S Dalziel, J M S Erwood and M McKay.

IN ATTENDANCE

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, Councillor G W Boyde, the Administration & Communication Support Officer – Ms R Vanstone, the Health & Safety and Emergency Management Advisor – Mr M Bestall (*part meeting*), the Corporate Accountant – Mrs C Craig (*part meeting*) and two members of the media (the Stratford Press and the Taranaki Daily News).

1. WELCOME

The Chairperson Ms K Denness welcomed the District Mayor, Councillors and staff.

2. APOLOGIES

No apologies were received.

3. ANNOUNCEMENTS

There were no announcements.

4. DECLARATION OF MEMBERS INTEREST

There were no declarations of interest.

5. ATTENDANCE SCHEDULE

The attendance schedule for 2019 – 2020 Audit and Risk Committee meetings was attached.

6. PROGRAMME OF WORKS

D19/32844 (Page 8)

RECOMMENDATION

THAT the Audit and Risk Committee's programme of works for 2020 be received.

DENNESS/JAMIESON

Carried
A&R/20/22

No new items were added to the programme of works for the remainder of the year.

7. CONFIRMATION OF MINUTES

7.1 Audit and Risk Committee Meeting Minutes – 19 May 2020

D20/10274 (Pages 9-16)

RECOMMENDATION

THAT the minutes of the Audit and Risk Committee Meeting held on Tuesday 19 Ma 2020 be confirmed, with any amendments, as a true and accurate record.

DENNESS/DALZIEL

Carried
A&R/20/23

The Administration & Communication Support Officer undertook to amend the first bullet point of item 8, Matters Outstanding noted incorrectly as, "to consider the draft of a regional stud" – and amended to 'study'.

8. MATTERS OUTSTANDING

D18/27474 (Page 17)

RECOMMENDATION

THAT the matters outstanding be received.

McKAY/DALZIEL

Carried
A&R/20/24

The following points were noted by the Chief Executive:

- The Climate Change report, item 16 of this agenda, is a high level report designed to facilitate discussion at this stage.
- The appointment process for the Chair position is yet to be concluded. Mr Hanne takes the opportunity to thank the current Chair for her service to date.

9. INFORMATION REPORT – AUDIT MATTERS RAISED

D20/17088 (Pages 18-24)

RECOMMENDATION

THAT the report be received.

Recommended Reason

This report informs the Committee of the issues identified in the final Audit New Zealand Management Report for the 2018/19 Annual Report, and summarises their findings and the actions to be taken by Council officers to respond to audit recommendations.

DENNESS/ERWOOD
Carried
A&R/20/25

The Director – Corporate Services noted that auditors would be onsite from 20 August.

Questions/Points of clarification:

- Councillor Dalziel, in referring to page 23, sought an update on the outstanding matter of the contract management register. Mrs Radich confirmed that council continues to await a patch from Civica and that the timeframe will be revised for the next Audit and Risk meeting. An alternative is providing a satisfactory solution for now.

10. INFORMATION REPORT – INTERNAL AUDIT FINDINGS

D20/12225 (Pages 25-38)

RECOMMENDATION

THAT this report be received.

RECOMMENDED REASON

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

DALZIEL/VOLZKE
Carried
A&R/20/26

The Corporate Accountant noted that the internal audit exercise was successful with full buy-in from staff conducting the audit and those being audited.

Questions/Points of clarification:

- Mrs Craig clarified that the surcharge for credit card payments is 2.5 per cent.
- Councillor Dalziel commented positively on the report and the opportunity for staff to learn more about the organisation's processes.
- It was requested that the Director Corporate Services split risk 33 which currently groups animal welfare for the pound and the dairy farm together. Animal welfare is explicitly stipulated in the sharemilker's agreement and is a strict requirement by Fonterra.

11. **INFORMATION REPORT – FINANCIAL RISK MANAGEMENT
REPORT**

D20/17692 (Pages 39-50)

RECOMMENDATION

THAT the report be received.

DENNESS/DALZIEL
Carried
A&R/20/27

Questions/Points of clarification:

- Councillor Dalziel sought an explanation of the \$1 million deficit figure relating to net surplus after removing capital (page 44 refers). Mrs Radich responded that a significant amount of depreciation will be funded from reserves and that these interim results will be adjusted for the next Policy and Services Committee meeting.
- Mayor Volzke sought clarification of the reasons for personnel costs which exceeded budget by \$457,000 (page 39 refers). Mrs Radich clarified that staff numbers including turnover were estimated in January of the year prior, and adopted in June. Four new positions were not budgeted for equating to 40 per cent of the variance. Fifty five per cent of the variance related to meeting market salary expectations and the remainder of the variance related to turn over (probably an overestimate). The Mayor was pleased to note that these costs were offset by operational expenditure – the net results of which were favourable.
- Mayor Volzke sought clarification on the unspent funds relating to incomplete carry forwards (referring to page 45 onwards) on capital expenditure projects. Mrs Radich noted that savings are made in the first year of carry forwards by way of reduced depreciation, interest and loan repayments. Mr Hanne added that the original budget set for the wastewater consent was based on a standard approach, however council staff had applied an innovative approach to the consenting process and in doing so had made huge savings.
- In response to a question from the chair regarding concerns over outstanding debtors, Mrs Radich clarified that the opportunity of debt recovery from overdue debtors was likely although a decision would need to be made to write off some debt where the debtor was inaccessible or could not be located – these related mostly to compounding (or aged) pound fees.

12. INFORMATION REPORT – FRAUD RISK ASSESSMENT
D20/17929 (Pages 51-61)

RECOMMENDATION

THAT the report be received.

Recommended Reason

This report looks at the potential fraud risk areas, and addresses the matters raised by Audit New Zealand in the 2018/19 Annual Report audit in relation specifically to Bribery and Corruption.

DENNESS/ERWOOD

Carried
A&R/20/28

Questions/Points of clarification:

- It was clarified that ‘gift’ relates to a clear attempt to influence a council officer. To this end council also keep a staff gifts register.
- Mrs Radich clarified that council’s procurement policy includes a process for significant procurements. A purchase totalling \$5,000 or more requires two quotes while a procurement over \$100,000 requires a competitive tender process considered by tender panel which includes in many cases an external assessor and the responsible director. Mrs Radich added that word of mouth in a smaller community such as Stratford was also an effective control measure.
- The Chair noted that attempting to gain an advantage through council business contacts was more difficult to investigate.

13. INFORMATION REPORT – AUDIT ARRANGEMENTS 2019/20
AUDIT NEW ZEALAND
D20/18308 (Pages 62-109)

RECOMMENDATION

THAT the Audit and Risk Committee receives Audit New Zealand’s engagement letter, proposal letter and audit plan for the 2019/20 annual audit.

Recommended Reason

Reviewing the annual audit arrangements is within the scope of the responsibility of the Audit and Risk Committee.

DALZIEL/JAMIESON

Carried
A&R/20/29

The Director – Corporate Services noted that auditors are specifically looking at work in progress amounts in relation to the subdivision, a COVID-19 impact assessment in relation to significant work being undertaken and the TET stadium vested asset.

Questions/Points of clarification:

- The Mayor noted this council's reluctance to accept the increased costs in relation to the annual audit and Mrs Radich added that Audit New Zealand's increased use of non-chartered accountant qualified staff did not make the process any more cost efficient.
- Mr Hanne noted that a shorter term contract has been entered into with Audit New Zealand and this may be indicative of a change of auditor in the future.

14. INFORMATION REPORT – RISK REVIEW

D20/16840

(Pages 110-131)

RECOMMENDATION

THAT this 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.

DENNESS/VOLZKE

Carried

A&R/20/30

The Director – Corporate Services noted the following points:

- Risk 83 – unsafe conditions at the aerodrome – has been newly added to the register. One threat in relation to the Top 10 risks – threat of a cyber attack – did not eventuate.
- As previously discussed, risk 33 – animal welfare – will be separated out for impounded animals and dairy farm animals.

Questions/Points of clarification:

- Mr Hanne clarified that unsafe conditions such as soggy (runway) ground fell within council's responsibility under civil aviation legislation, and was moderated by a seasonal closure. Drones on a flightpath were also dealt with under this legislation.

15. INFORMATION REPORT – INSURANCES FOR 2020/21

D20/18324

(Pages 132-211)

RECOMMENDATION

THAT the report be received.

Recommended Reason

To inform the Audit and Risk Committee of the insurance premium and policy changes for the 2018/19 financial year, and give an update on insurance claims made in the previous quarter.

VOLZKE/McKAY

Carried

A&R/20/31

The Director – Corporate Services noted that there has been a significant increase in premiums over the last year, notably in the areas of material damage to commercial property and public liability insurance.

Questions/Points of clarification:

- Mayor Volzke was pleased to see collaboration between the Taranaki councils in order to maximise savings opportunities, in reference to item 4.4 on page 133. He noted also that council rate increases did not equate to the CPI when there is a 28 per cent increase in council insurance policy premiums. Such increases are ongoing and funding them creates issues.
- Mrs Radich clarified that council now pays a fixed amount in premiums for costs in relation to motor vehicle policies.

The Corporate Accountant left the meeting at 5.09pm.

16. **DECISION REPORT – CLIMATE CHANGE**

D20/18468

(Pages 212-246)

RECOMMENDATIONS

1. THAT the report be received.
2. THAT Elected Members recommend the adoption of Option 1a (status quo) and continue to address any environmental impacts on services, asset and facilities in the context of other factors affecting these, allowing for holistic decision making for each service, asset and facility, rather than a view through a single-purpose lens.
3. THAT Elected Members recommend the adoption of Option 2a (status quo) and that decisions such as environmental performance continue to be made at a project, service or activity level, rather than being guided by an overarching policy. This provides an element of flexibility to weigh up costs, level of service and other factors.

Recommended Reason

This report was produced on request of elected members and as such elected members should be in a position to express their preference. As outlined in the report, if elected members choose to recommend the implementation of new or strengthening of existing policy it is important that they acknowledge the likely business-wide financial and non-financial implications this is likely to have.

JAMIESON/ERWOOD

Carried
A&R/20/32

The Chief Executive noted the following points:

- Being the first report on the topic of climate change, the report aims to start the discussion on what climate change is, how it will impact council and how elected members wish to incorporate such considerations into their decision making.

Questions/Points of clarification:

- It was clarified that council does not have one technical expert on the subject of climate change impact but rather the responsible officer applies this lens over the project. Councillor McKay noted that she is comfortable with council continuing to apply the environmental lens over its business as usual activities, given that the impacts of climate change continue to evolve.
- Councillor Dalziel acknowledged that a climate change policy would be necessary at some stage.
- Mayor Volzke and Councillor Jamieson endorsed these views.
- The chair noted that the report was an opportunity for this council to begin discussions with iwi.

The Director Corporate Services left the meeting at 5.22pm.

17. **INFORMATION REPORT – HEALTH AND SAFETY**

D20/18492 (Pages 247-250)

RECOMMENDATION

THAT the report be received.

DENNESS/DALZIEL
Carried
A&R/20/33

The Health & Safety and Emergency Management Advisor noted that a second wave COVID response is being discussed at civil defence.

Questions/Points of clarification:

- Councillor Dalziel congratulated the staff member that raised the unsafe work practice in Prospero Place adding that awareness is growing.
- The Director Community Services clarified that the swim school has been issued with a licence to carry out their business from the TSB pool complex after contracting the services of a health and safety consultant to work with them.

The Health & Safety and Emergency Management Advisor left the meeting at 5.34pm.

18. **GENERAL BUSINESS**

- Mayor Volzke took the opportunity to acknowledge the end of tenure of this committee's first chair. In response, Mrs Denness congratulated council on establishing the necessary risk mitigation policies and processes.
- The chair noted that the TET stadium situation would need to be considered by this committee at some stage.

19. **QUESTIONS**

There were no questions.

The meeting closed at 5.35pm.

K Denness
CHAIRMAN

Confirmed this 15th day of September 2020.

N Volzke
DISTRICT MAYOR