

MINUTES

Audit and Risk Committee

F22/55/05 – D23/31366

Date: Tuesday 18 July 2023 at 1.00pm
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, A M C Dudley, A K Harris (*part meeting*), E E Hall and W J Sandford

The Chief Executive – Mr S Hanne, the Director – Corporate Services – Mrs T Radich, the Director – Assets – Mrs V Araba, the Director – Environmental Services – Mr B Sutherland, the Acting Director – Community Services – Mr C Julie, the Committee Advisor and Executive Assistant – Mrs E Bishop, the Project Manager – Mr S Taylor, the Corporate Accountant – Mrs C Craig (*part meeting*), the Parks and Reserves Officer – Mrs M McBain (*part meeting*) and the Property Officer – Mrs S Flight (*part meeting*)

Via audio visual link: Luke van der Walt and Pam Thomson (Deloitte) (part meeting) and Darrin Williamson (Marsh) (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

An apology was noted from the Health and Safety/Civil Defence Advisor – Mr M Bestall

3. Announcements

The Chief Executive noted that the Health and Safety/Civil Defence Advisor was leaving Stratford District Council on 4 August 2023. He had asked that his thanks and acknowledgement be passed onto this committee.

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 amended rolling programme of works up to the end of 2023 be received.

P JONES/McKAY
Carried
A&R/23/25

The Director – Corporate Services noted that the one-off report on Climate Change resilience and strategic risk deep dive would be moved to November.

Questions/Points of Clarification:

- It was noted that the feedback from the workshop held on Risk Maturity would be collated and brought to the committee for formal consideration.
- The Chairman requested a project plan be presented to the committee for the three waters transition with a particular focus on the associated risk for the transition period including the risk on rates collection in terms of the impact on the finance team.
- It was noted the planning around the consequences of the three waters reforms and transition on the Long Term Plan will be updated within the risk management report.

7. Confirmation of Minutes

7.1 Audit and Risk Committee – 16 May 2023

D23/21284

Page 12

Recommendation

THAT the minutes of the Audit and Risk Meeting of Council held on Tuesday 16 May 2023 be confirmed as a true and accurate record.

BOYDE/ERWOOD
Carried
A&R/23/26

Questions/Points of Clarification:

- It was clarified that the de-escalation training organised for the Customer Service, Library and Visitor Information and Wai o Rua Staff had been structured specifically for their roles. Additional training is being investigated for other roles and an invitation will be extended to elected members when this is set. Councillor Boyde noted that councillors were copping a fair bit of flack recently, particularly around the rugby fields.

The Chairman requested that item 13 – Correspondence be received at this point of the meeting. This was to allow the representatives from Deloitte to answer questions from the committee. It was noted the Luke van der Walt and Pam Thomson were present via audio visual link.

13. Correspondence

13.1 Draft Audit Proposal Letter Page 91

The Director – Corporate Services noted the following points:

- The attached letter is the proposal to complete the audit of the 2022/23 financial statements and Annual Report. The interim audit has already started and it is planned that the final audit will begin on 31 July.
- The letter highlights that the previous budgeted hours was 741, however the actual hours were 1,353. The proposal budgets for a total of 971 hours.
- It was acknowledged that part of the high hours for the last audit was due to it being the first time Deloitte's had audited Stratford District Council, however Mrs Radich noted that there had been no indication of how much of the increased hours had been in relation to a first audit and how much had been related to the increased audit standards/requirements.
- This will increase the cost of the audit (excluding OAG Audit Standards and disbursements) to \$183,500 for council and to \$24,740 for the Percy Thomson Trust.

Pam Thomson presented to council and the following points were noted:

- The previous audit proposal was done by Audit NZ for the three years ended 30 June 2022. That fee had been set before Covid-19 and the changes in the economic environment.
- The economic environment had been one factor to the proposed increased to fees, and the total hours another. It was understood that there would be investment time last year for the first audit and this has been reflected in the budgeted hours being less than the actual hours in 2022.

Questions/Points of Clarification

- Councillor Boyde noted he had been horrified at the increase as it is a huge increase for a small council to absorb. He asked for clarification on the scope change and what has changed in the process for such an increase in hours? Ms Thompson clarified that there wasn't a scope change, but noted that the approximate 700 hours budgeted for by Audit NZ had actually taken them 903 hours. These hours had been benchmarked against other councils and were reasonable in comparison. There was also a robust process undertaken with the Auditor General who also looked at the hours required by other councils in general to ensure it was reasonable.
- Councillor Boyde asked if council could do anything to shorten the amount of hours the audit is taking? Ms Thompson noted that Deloitte's had proposed that they will present the hours to Mrs Radich to ascertain how long each part of the audit is taking to ensure there is a realistic view of what has contributed to them. A debrief session will be held with management to potentially find areas that could be reduced, however she noted it will not equate to 200 hours less.
- The District Mayor noted his shock at the allocation of 971 hours, which would equate to three people working a full time job for eight weeks. He noted that some of the questions asked previously, specifically regarding a single expense claim, were ridiculous and costing the rate payers. He questioned the price increase for the Percy Thomson Trust as it is council's only council controlled organisation and is a small organisation with some property investment and hardly any income or expenditure. Ms Thompson clarified that invoice investigation relating to sensitive expenditure is mandated by the Auditor General and the same level of detail required is applied to all testing of expenditure. She noted that the investments and fair value of the plant, property and equipment for the Percy Thomson Trust takes a significant amount of time but this has been discussed with management to see if this can be amended going forward.
- Councillor Hall asked for more detail regarding the valuation of land and buildings for the Percy Thomson Trust as this was a large part of the proposed fee. Ms Thompson noted that there has been an increase in cost for the nature of valuations. Over the past 2-3 years, due to changes and economic factors, there have been fair value assessments required. However she noted that a full valuation was required for the 2023 financial year.
- The Deputy Mayor asked if loss of staff time for answering questions for the auditors was recorded? She asked how council can ensure the big jump in hours for the learning year does not happen again, and what accountability there is for Deloitte to absorb that cost. Mrs Radich noted that staff did not keep track of time spent answering questions, however they are collating the questions that they do not think are of any value or are not appropriate and will discuss these with Deloitte.
- The Deputy Mayor asked what the accountability on Deloitte was for ensuring the questions being asked are correct and are no more and no less than what is required? She noted it would be good to see transparency around what those hours are used for and how further streamlining could be

achieved. Ms Thompson noted that Deloitte's were more than happy to share the time that it has taken and acknowledged that last year there were considerably more questions as Deloitte's was getting to know Stratford District Council. The Deputy Mayor noted it would be good for the committee to look at the hours budgeted and the actual hours this year, she noted they should not be learning this year and the committee should ensure it is efficient this time around.

- It was clarified that the budgeted figure in the letter was the total. If the hours are higher than proposed council will still only pay the proposed amount.
- Ms Thompson noted they were talking with managers regarding the valuation process. There has been a change to all valuations to be at the year end and the valuation requirements have been factored into the audit proposal letter. There has not been a need for a full valuation identified, however Land and Buildings are due for revaluation this year.
- Mrs Radich noted that the fee proposed was similar to other similar sized or medium sized councils, however she noted the cost per ratepayer was much higher for Stratford District Council. It was noted that South Taranaki District Council's audit fee was very similar to the proposed fee for Stratford. Ms Thompson noted that there is a marked increase in audit fees across the board primarily due to cost increases.

Luke van der Walt presented to council on the Audit Plan:

- As part of the audit process an audit plan is constructed to set the strategy for the year and the audit. This will be provided to the committee to provide an opportunity for input and discussion on the areas of focus that are highlighted.
- It was noted that due to the scheduling of the Audit and Risk Committee meetings this plan would be circulated to the committee via email for input. It is expected that the plan will be sent to management by the end of this month.

8. Matters Outstanding

D18/27474

Page 23

Recommendation

THAT the matters outstanding be received.

ERWOOD/V JONES
Carried
A&R/23/27

9. Information Report – Health and Safety

D23/29203

Page 24

Recommendation

THAT the report be received.

P JONES/BOYDE
Carried
A&R/23/28

Questions/Points of Clarification:

- It was confirmed the appropriate process had been followed regarding the aggression shown by a tenant towards staff member if this was to happen again. Tenancies have been ended in past due to bad behaviour, however it was acknowledged that in this instance the tenant had apologised for her behaviour..
- It was clarified that there had been no repercussions for the parent of the child with regard to incident four in the report. The footage has shown that the child's head was never underwater, contrary to what was reposted on social media. It was noted that staff do have the ability to remove a member of the public from the facility or impose a temporary ban should it be appropriate.

- Councillor Boyde noted how social media can impact conversations for an incident. He reiterated that rules are there for a reason and staff should take a firm stand on people who are exploiting these rules.
- It was noted that staff have to enforce the rules regarding accompanying children at Wai o Rua multiple times a day.
- The Chairman formally thanked Mr Bestall for his contributions and wished him well for the future.

10. Information Report – Civil Defence Progress and Readiness – July 2023

D23/29424 Page 28

Recommendation

THAT the report be received.

VOLZKE/ERWOOD
Carried
A&R/23/29

Recommended Reason

It is a function of this committee to stay abreast of Council's readiness and ability to meet its requirements and obligations as laid out in the Taranaki Civil Defence Group's constituting agreement.

The Chief Executive noted the following points:

- There has been an incremental improvement on council's performance score, however with the earthquake prone status for both civil defence facilities it has knocked Stratford back a bit.
- Staff training, practicing and resourcing has improved.

Questions/Points of Clarification:

- Councillor Boyde asked if during a medium local event would our resourcing be enough and did the volunteers need to be staff? Mr Hanne noted that volunteers did not need to be council employees, however as regular training draws people during the day it impacts availability. He noted the Central Taranaki Safe Community Trust volunteers, in terms of the welfare activity, are a fantastic resource and have had their own training course designed for them. He noted that neither of the neighbouring councils could manage an event themselves and it would be expected that positions would be backfilled from the region. A regional event would be run from TEMO in New Plymouth.
- It was noted that the criticism following the recent flooding events in Auckland are being reviewed for Taranaki, Mr Hanne noted that in the case of the mayoral declaration the barrier would not have occurred in Taranaki.
- The Chairman asked if the committee felt comfortable that council's Chief Executive was a regional controller which could take him out of work for considerable time, he noted the advantages for this but also the risk element. The District Mayor noted that in the past it had not been problematic for this council and there were alternatives at a regional level should he be required at council.
- The District Mayor noted that Taranaki civil defence has worked through issues and evolved progressively over the years. He noted they were quite active as there are regular weather events and standbys in the region.

The Corporate Accountant joined the meeting at 1.52pm.

11. Information Report – Capital Works Programme – Key Projects Update – July 2023
D23/28971 Page 65

Recommendation

THAT the report be received.

P JONES/BOYDE
Carried
A&R/23/30

Recommended Reason

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

The Project Manager noted the following points:

- The Connecting the Communities Strategy has been held back as it is awaiting further data from ACC and Stats NZ, it is expected this will be presented to the Policy and Services Committee in August.
- An updated table was circulated showing total budget spent, overspend and underspend.
- This report will change slightly from September and will identify more of the risks involved with the projects as well as if the projects will be completed within the financial year.

Mr Darren Williamson joined the meeting via audio-visual link at 1.57pm.

12. Information Report – Risk Management (update)
D23/29421 Page 79

Recommendation

THAT the report be received.

P JONES/ERWOOD
Carried
A&R/23/31

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:

- The Chairman noted the risk for rising interest costs. Council will likely have to live with the consequences of high interest rates for some time and it is important to consider this during the long term plan process.

13. Correspondence
8.1 Draft Audit Proposal Letter Page 91

Correspondence was received, and discussed following item 7.

14. General Business

There was no general business.

15. Questions

There were no questions.

16. 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: 17 and 18

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
Insurance Renewal 2023/24	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.
Section 17a Review	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/BOYDE
Carried
A&R/23/32

There were no members of the public present.

17. Public Excluded Item

Councillor Harris left the meeting at 2.38pm.

18. Public Excluded Item

Recommendation

THAT the open meeting resume.

P JONES/McKAY
Carried
A&R/23/35

19. Closing karakia

D21/40748 Page 86

The closing karakia was read.

The meeting closed at 3.05pm.

P Jones
Chairman

Confirmed this 19^h day of September 2023.

N C Volzke
District Mayor