

MINUTES

Audit and Risk Committee

F22/55/06 – D24/12999

Date: Tuesday 19 March 2024 at 2.06pm
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, E E Hall, C M Tongaawhikau and M J Watt

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 Director – Community Services – Ms K Whareaitu, the Committee Advisor and Executive Assistant – Mrs E Bishop, the Communications Manager – Ms G Gibson, the Projects Manager – Mr S Taylor (*part meeting*), the Corporate Accountant – Mrs C Craig, the Health and Safety/Emergency Management Advisor – Mr O Konkin (*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

An apology was noted from Councillor A K Harris.

Recommendation

THAT the apology be noted.

BOYDE/ERWOOD
Carried
A&R/24/1

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 conflicts of interest declared.

5. Attendance Schedule

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

6. Programme of Works

D21/42807

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Recommendation

THAT the Audit and Risk Committee's rolling programme of works up to July 2025 be received.

BOYDE/P JONES
Carried
A&R/24/2

The Director – Corporate Services noted that the outstanding audit matters raised from the last Annual Report will be brought to the committee in May.

Questions/Points of Clarification:

- The Chairman requested a deep dive be completed on the key risks and learnings from the Long Term Plan process be completed in July. It was noted that the Chief Executive could move the Lone Worker deep dive report to September if he felt it was required.

7. Confirmation of Minutes

7.1 Audit and Risk Committee – 21 November 2023

D23/47249

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Recommendation

THAT the minutes of the Audit and Risk Meeting of Council held on Tuesday 21 November 2023 be confirmed as a true and accurate record.

McKAY/ERWOOD
Carried
A&R/24/3

8. Matters Outstanding

D18/27474

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It was noted that there were no outstanding matters on the list.

9. Information Report – Health, Safety and Wellbeing Report

D24/7828

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Recommendation

THAT the report be received.

V JONES/BOYDE
Carried
A&R/24/4

The Health & Safety/Emergency Management Advisor noted the investigation for Incident 2 has been received from the contractor. This has indicated that the cause of the accident was the driver being too close to the edge of the road and the recommendation is to review the kind of vehicles used on these small rural roads.

Questions/Points of Clarification:

- It was clarified that there had been a misunderstanding by the officer for Incident 1 where the contractor had previously been subcontracted for the pool build and it was thought this repair would have been covered by the previous contract. However, the contractor had not been pre-approved for ongoing maintenance at the pool. There has been further clarification of the process since then and amended wording the manual to make it a lot clearer around contractor management and when pre-approval is needed. It was noted the facility staff had asked if the contractors had signed in and they had said they had.
- Councillor Boyde noted the de-escalation training for elected members had been very valuable.
- The Chairman noted that the contractor monitoring section added to the report gives the committee assurance that council is checking on the contractors to ensure they are doing what they say they are doing.

The Health and Safety/Emergency Management Advisor left the meeting at 2.18pm.

10. Information Report – LGFA 6 monthly report

D24/8077

Page 24

Recommendations

1. THAT the report be received.
2. THAT the half year report to 31 December 2023 for the LGFA be received.
3. THAT the Statement of Intent for 2024-2027 be received.

V JONES/ERWOOD
Carried
A&R/24/5

Recommended Reason

To inform the Committee of the LGFA's performance for the year to date and plans for the next three years.

The Director – Corporate Services noted that as a guarantor to the LGFA council receives the 6 monthly report and the Statement of Intent for the next three years and this has been provided as information to the committee.

Questions/Points of Clarification:

- The District Mayor noted the reference to the number of councils now using LGFA and that it was now close to 100%.
- Councillor Hall asked if there was any risk with all councils being in one pool and the set up failed? The Chairman noted the way this is structured and the current credit rating gives councils confidence. There are different layers of risk for local authorities and the Stratford District Council was at the lower level as it is only a guarantor. The next level above is shareholders and if there was a need for more capital then the first call would be to them, however before it got to that stage treasury would be called upon. The biggest risk, which has now been reduced, was the transfer of debt for three waters which would have diluted the amount of debt significantly that LGFA has.
- Councillor Jones asked about the return on investment for shareholders and if this council should be investigating it. The Chairman explained that there was a original request for shareholders and those councils were the ones that took the risk at that point, it is a good return on investment but with reward comes risk. Should there be a call on funds then they would need to be able to react to that. He was not aware of further shares being issued to new investors. Councillor Jones noted that Whanganui had just joined.
- It was clarified that the level councils guarantee to is proportionate to the total rates for that council. It was further clarified that the security is the land in the areas so if required a default rate could be set on every property which could be sold if the rate is not paid.

The Sustainability Advisor joined the meeting at 2.28pm.

Recommendation

THAT the report be received.

McKAY/V JONES
Carried
A&R/24/6

Recommended Reason

To present an update on the progress of our key capital projects in the 2023/24 financial year.

Questions/Points of Clarification:

- Councillor Boyde noted the anticipated 58% spend of the budget and asked if this was enough or if council should be striving for 70% or if this was saying council could not deliver on projects in full, on time or were putting too many projects in the plan? He noted that a couple of years ago council had achieved 80%. The Chief Executive clarified that this was impacted by the type of projects. The purchase of Prospero Place was held up due to external dependency for the project and would add about 15% and Mr Taylor noted that the identified wetlands in the subdivision had held up that project. Mr Hanne noted it was very important to understand the limitations when looking at this percentage – was it that a contractor could not be sourced, internal issues, or external factors such as the wetlands. He noted he would much rather be in the high 60s and that anything over 70% was good.
- The Chairman noted the bigger question was the non-delivery in terms of meeting the Levels of Service or maintaining the asset. If replacements or renewals are not being done then what was happening to the infrastructure.
- Councillor Boyde noted his concern when looking at these projects and they go over budget, and asked if councillors are looking at the right figures at the start. Mr Hanne noted that this council has a long history of being on or under budget. These projects are from Year 3 of the Long Term Plan so the budgeting was done the longest period ago in the planning stages. He noted he was endeavouring to get back to delivering on or under budget and he was really proud of the quality projects delivered within scope.
- Councillor Jones questioned where the savings for these underspends were, if council was just not borrowing for them or if they had been rated for? The Director – Corporate Services clarified if it was an improvement to a level of service then it was funded by debt and the full amount was not borrowed, if it is replacements then it is funded by reserves and the funds not required were just not taken from the reserves.
- The Chairman noted that this represented a temporary saving on the basis that not all of the work will be delivered this year but will impact next year. He felt refinement of the wording was needed.
- The Deputy Mayor noted the overspends had been raised at the Policy and Services Committee last month and the comments from this discussion have been taken on board and further clarification is included in the monthly report for the next committee meeting.

The Projects Manager left the meeting at 2.24pm.

Recommendation

THAT the report be received.

P JONES/BOYDE
Carried
A&R/24/7

Recommended Reason

To provide an update to the Audit and Risk Committee of any risk events or threats in relation to significant risks on Council's risk register, as part of Council's risk management processes.

The Director – Corporate Services noted the following points:

- The new risks added as part of the sustainability strategy work are noted in the report.
- At the last Audit and Risk committee meeting a discussion was held around removing cyber insurance cover and adding \$15,000 to the budget to be used for cyber prevention activity. However this budget item has been removed from the Long Term Plan by council with the suggestion to ask this committee if it still wanted to pursue cyber prevention investment.

Questions/Points of Clarification:

- Councillor Jones noted the new risk 94 and that there was already a risk for significant weather events. He asked what council was defining as climate change and what was being covered with these climate change risks? Mr Hanne noted there had been significant issues with audit as officers could not demonstrate that this council was taking climate change seriously. He noted there was still a standing risk that this issue may become an audit opinion if it is not adequately demonstrated in our documents. He noted he had reviewed the legislation and asked DIA and the auditors about the elements of the legislation that applies to local authorities. The answers had mostly been that it ties back to the four well-beings in the Local Government Act with most of the elements of the legislations being mostly interpreted to apply directly to Central Government, with an expectation that there is a joint approach on it.
- The Chairman noted the Office of the Auditor General had said – if you have declared a climate change emergency then how have you reflected that in your Long Term Plan? He noted this meant it has been made clear it needs to have been considered.
- Councillor Jones asked if the government has defined what a climate change emergency is? It was clarified that the definitions had been put together by councils. Mr Hanne noted that council is expected to have considered specific things and it is currently not close to meeting that requirement.
- Mrs Radich noted that if council considered climate change in the decision making process, such as adding a section to the decision reports, then this would mean council could demonstrate that it is considering climate change in its decision making processes. This had also been included in the Significance and Engagement Policy but removed by councillors.
- Councillor Hall noted she was keen to see this in the reports to know if it is a mitigated or unmitigated risk. If it is removed from the conversation then how can councillors know how it impacts the decision making.
- It was clarified that the strategy was possibly two years away from completion, but that the policy would be put together by the end of this year. Before this is completed the Sustainability Advisor will sample the opinion of elected members and the senior leadership team to get a complete view.
- The Deputy Mayor noted she had not been opposed to having this in the Significance and Engagement Policy but her opposition was about putting it in there before a definition had been made about what this means for this council and for our community. It was important this be Stratford specific and not for the other side of the world. She would like to see the strategy and to let this council set the definition. She asked if there was another avenue or if council could discuss climate change as needed, before the guiding document is completed. Mr Hanne noted an option can be added to the decision reports to discuss how this decision considers climate change.
- Councillor Hall felt this ran the risk of engineering this conversation every time a decision report is received and asked if council should make the definition now and use that moving forward. It was requested to hold a workshop to discuss the definition.
- Mrs Radich clarified that the risk for lone workers had been highlighted as it was not a significant risk on the register, but it could potentially become one as there is a higher intensity of these types of incidents over the last few months. These situations have also had an element of aggression. The deep dive on the lone worker risk in July will provide the opportunity to look at this risk and elevate it if need be. The District Mayor noted this was escalating quite quickly. He felt the pool incidents were in a relatively controlled environment but that the risk was greater when council officers were out in a public arena such as building inspectors and dog control officers.

The Sustainability Advisor left the meeting at 3.00pm.

Recommendations

THAT the report be received.

ERWOOD/P JONES
Carried
A&R/24/8

Recommended Reason

This report is for information purposes only but gives elected members insight into the current state of three waters including current and future legislative changes as well as regional discussions regarding potential shared delivery models.

The Chief Executive noted the following points:

- It was acknowledged that this was only a temporary status quo and there was significant change likely to come but at this stage it was unknown what those changes will look like.
- Officers were not certain on the spectrum of choice that councillors will have in the future or if being the owner and provider of the services was still an option, or if a regional CCO was the minimum acceptable to central government in the future. There are shared options, shared procurements and scalability between the end points.
- There has been informal work undertaken between the three councils to try and understand what the options will be and what would be a good delivery mechanism. He noted New Plymouth District Council has allocated resource to this work and is keen to get it moving. South Taranaki and Stratford District Councils have slowed the process down and are looking at options but do not want to commit until it is known what comes out of the Central Government decisions.
- The Auditors have been clear that council needs to add significantly to the consultation document about this but it is difficult when officers do not know what it will look like.

Questions/Points of Clarification:

- The Chairman noted there should be more information by mid 2024 and an introduction to what the options are going to look like by the end of the calendar year. He commended Stratford and South Taranaki for slowing the process down as there was a risk in doing too much work before knowing what the options look like with a substantial risk in going too far down the track and committed resources before the options are known. He felt council needed to be looking at what the issues are rather than building a solution.
- Councillor Boyde noted his concern that the draft mandate covers a full range of options to be considered and was to be endorsed by the Mayoral Forum and asked if this had happened. He felt there shouldn't be any movement forward or more time wasted before knowing what the parameters are. The District Mayor noted the Mayoral Forum had met last week and had a presentation from the officers doing the work on the potential options for the region going forward. They had sought a mandate to continue with that work. The forum gave approval for the work to continue but to stop short of making recommendations or noting a preferred option. As soon as that work has been received it will be brought to council to either endorse or be stopped. He noted there were quite different views across the three councils with South Taranaki and Stratford feeling there is not sufficient information to expect the councils to get on board. This would be received to purely acknowledge and accept the work that has been done to date. The decision made was to stop short of making any preferred option before the rules are made clear. Mr Hanne clarified the work was being undertaken by a dedicated New Plymouth District Council officer.
- It was noted that the New Plymouth District Council was consulting on the establishment of three CCOs as part of its Long Term Plan discussions, with one of these being for water.
- The District Mayor noted one change made by the forum had been replacing the project steering group was deciding that this work would be overseen by the South Taranaki District Council Chief Executive on behalf of the three councils. This was to give the discussion a more regional perspective.

Recommendations

1. THAT the report be received.

MOVED/SECONDED
Carried
A&R/24/9

2. THAT the Anti Fraud and Corruption Policy be adopted as amended.

McKAY/BOYDE
Carried
A&R/24/10

Recommended Reason

The policy is due for review, and amendments have been made where appropriate to improve the policy for use.

The Director – Corporate Services noted there had been no major changes to this policy and that it was about minimising and preventing occurrences of fraud and corruption as well as the perception of fraud and corruption to ensure public funds and assets are protected.

Questions/Points of Clarification:

- The Chairman suggested an amendment to objective 2 being “*to reduce the risk of financial harm and business disruption to council*”.
- The Chairman suggested an amendment to objective 3 being “*reduce the significant risk of fraud and enhancing the processes to reduce the likelihood of fraud.*”
- The Chairman asked if fraud was proven should the policy require the evidence to be passed over to the police for a decision on prosecution as this would remove the judgement decision from the Chief Executive. He noted this was due to a number of cases where the person was quietly dismissed and then went onto committing fraud within another company. It was suggested that if a case was not reported then an explanation on this decision could be brought back this committee but it was agreed it was not appropriate to come back to elected members.
- It was suggested a monetary amount or a cumulative amount could be defined but acknowledged that that would cause problems as to who sets that and makes that decision.
- It was acknowledged that there would be a threshold below which police would not even look at a case and a balance would need be found, however it was felt that a dishonesty offence should go to the police.
- It was clarified that the independent chair would manage the investigation for a Chief Executive, Mayor or any elected member.
- It was requested staff review the comments made and take back to the full council with any amendments.

15. Correspondence

- 15.1 Office of the Auditor General - Long-term plan audit *page 97*
- 15.2 Audit Proposal Letter *page 99*

Questions/Points of Clarification:

- It was noted there had not been any efficiencies suggested by auditors other than suggestions around the Percy Thomson Trust or the implementation of proper budgeting software. A cost benefit analysis will be done before the next Long Term Plan to see if the potential savings in audit fees would justify purchasing the software.
- Councillor Hall noted it was good to see the auditors will be more accountable with their hours as initially they had not been prepared to deliver on this.
- The Chairman suggested any software purchase should be completed for the Annual Plan preceding the next Long Term Plan to allow for a test period.

16. General Business

There was no general business.

17. Questions

There were no questions.

18. Closing karakia

D21/40748 Page 106

The closing karakia was read.

The meeting closed at 3.35pm.

P Jones
Chairman

Confirmed this 21st day of May 2024

N C Volzke
District Mayor