

**MINUTES OF WESTERN BAY OF PLENTY DISTRICT COUNCIL  
AUDIT AND RISK COMMITTEE MEETING NO. AR22-2  
HELD IN THE COUNCIL CHAMBERS, BARKES CORNER, TAURANGA  
AND VIA ZOOM AND LIVESTREAMED UNDER COVID-19 TRAFFIC LIGHT ORANGE  
ON THURSDAY, 2 JUNE 2022 AT 9.30AM**

## **1 PRESENT**

CR J DENYER (CHAIRPERSON), CR G DALLY, CR M DEAN, CR M MURRAY-BENGE, DEPUTY MAYOR J SCRIMGEOUR, CR A SOLE, AND MAYOR G WEBBER

### **VIA ZOOM**

CR M GRAY, CR A HENRY AND CR D THWAITES

## **2 IN ATTENDANCE**

J Holyoake (Chief Executive Officer), J Graham (Acting General Manager Corporate Services), G Allis (Deputy CEO/General Manager Infrastructure Group (DCEO/GMIG)), R Davie (General Manager Strategy and Community), D Jensen (Chief Financial Officer), H Wi Repa (Governance Technical Support), J Osborne (Governance Support Administrator) and C Irvin (Senior Governance Advisor)

### **VIA ZOOM**

A Carey (Financial Business Advisor) and L Jackett (Team Leader Contracts and Procurement)

### **OTHERS IN ATTENDANCE VIA ZOOM**

#### Audit New Zealand

L Pieterse (Director)

W Goslette (Audit Manager)

#### Observer

Stuart Henderson

## **3 APOLOGIES**

### **APOLOGY**

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#### **RESOLUTION AR22-2.1**

Moved: Cr M Murray-Benge

Seconded: Mayor G Webber

That the apology for absence from Cr M Grainger and Cr K Marsh be accepted.

**CARRIED**

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**4 CONSIDERATION OF LATE ITEMS**

Nil

**5 DECLARATIONS OF INTEREST**

Nil

**6 PUBLIC EXCLUDED ITEMS**

Nil

**7 PUBLIC FORUM**

Nil

**8 PRESENTATIONS****NIL****9 REPORTS****9.1 SUMMARY OF AUDIT AND RISK AGENDA TOPICS – JUNE 2022**

The Committee considered a report dated 2 June 2022 from the Senior Assurance and Risk Specialist. The report was taken as read.

Pensioner Housing

The Chief Financial Officer provided the following information:

- Council had a policy as to what it charged around pensioner housing, and placed a cap on this based on the pension received from the Government.
  - It also had a revenue and financing policy that dictated pensioner housing activity must be self-funded. Costs must be 'cost-neutral' and met from pensioner rent in anything Council did in terms of pensioner housing.
  - Council was not experiencing cost over-runs, however, should this occur in the future, it had three options available. If it were to enter into an environment where revenue was not meeting costs, Council could either change its policy (what it charged in rent), downgrade what it planned to spend or, its revenue and finance policy could be changed to enable subsidies, subject to the appropriate consultation.
  - Council was not currently in a position to have to make a decision on this. However, if it was it would require bringing a full paper to Council and appropriate consultation.
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The Chief Executive Officer responded to a question as follows:

- Current subsidies provided through the Crown for community housing were not available to the people living in units in the Western Bay district because Council already provided a reduced rent subsidy to these people. They could not receive both.

The DCEO/GMIG responded to questions as follows:

- Tenants received an accommodation supplement which covered a percentage of their rental amount.
- All civil works were being completed and were tracking on budget.
- There was a fixed price clause in the building contract that was being consented at the moment.
- Council was working with Classic Builders who had a relatively secure material supply compared to other building companies. As such, it was felt there was less risk with this contract.
- In terms of the 'ten year equation', once this was finished, a review of costs, returns and risks for the Katikati build would be completed.

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### RESOLUTION AR22-2.2

Moved: Cr M Murray-Benge

Seconded: Cr A Sole

That the Senior Assurance and Risk Specialist's report dated 2 June 2022 titled 'Summary of Audit and Risk Agenda Topics - June 2022' be received.

**CARRIED**

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## 9.2 TREASURY UPDATE REPORT

The Committee considered a report dated 2 June 2022 from the Chief Financial Officer. The report was taken as read.

The Chief Financial Officer responded to questions as follows:

- Council had a very good relationship with ANZ Bank. It had a committed loan facility of up to \$30 million that could be drawn on as immediate cash in the event of an emergency. This arrangement was in place until 2026.
- When Council struck its rates, it always rated for a specific purpose. As long as rates were collected with this purpose in mind, it complied with the Rating Act 2002.

The DCEO/GMIG responded to the following questions:

- It was important to recognise that, due to COVID-19, Council had struggled with its Capex programme over the last two years. However, looking back at the previous
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three years prior to this event, it had met is Capex programme one hundred percent. Going forward, taking out the affects of COVID-19 and supply chain issues, Council would be in a better position with its Capex programme.

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### RESOLUTION AR22-2.3

Moved: Cr A Henry

Seconded: Cr M Dean

That the Chief Financial Officer's report dated 2 June 2022 titled 'Treasury Update Report' be received.

**CARRIED**

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### 9.3 QUARTERLY REVIEW OF RISK PROFILE

The Committee considered a report dated 2 June 2022 from the Senior Assurance and Risk Specialist. The report was taken as read.

The Acting Group Manager Corporate Services provided an update following on from the KPMG Workshop held on 15 March 2022, and provided a summary of the Risk Road Map on page 18 of the Agenda. The following comments were made:

#### Acting Group Manager Corporate Services:

- The Risk Owner category was about how risk was managed within the organisation, therefore it needed to be owned by a staff member.
- It was essential that key appetite ratings were set at the right level in terms of the way Council operated and that risk management was appropriate given the appetite for that risk.

#### Chief Executive Officer:

It was important to plan for the contingency of a possible repeal of the Three Waters Reform under a new Government. Good risk management meant planning for the reforms to proceed or to be repealed and what that looked like for Council.

#### Acting Group Manager Corporate Services:

- There was an 'uncontrollable' element regarding the Three Waters Reform in that there was a significant part of this that was beyond Council's responsibilities, and therefore, its control.

#### Mayor Webber:

- It was incumbent upon Elected Members to be honest with their communities and make them aware of the risks if the Three Waters Reform did not proceed. It raised
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the issue of how Western Bay would meet the 2024 standards for Taumata Arawai because there was a significant gap from where Council was now and where it should be by 2024.

Acting Group Manager Corporate Services:

- Over the next couple of months, the Risk Assurance team would be working through the risks presented today to identify the differences between where the appetite and mitigations were sitting, the current risk appetite and what further action, if any, would be undertaken.

Chief Executive Officer:

- When Council went out to explore opportunities and possibly invest in new areas it came with new risk. The question was whether or not Council was willing to do this. It could be seen positively, as new opportunity, rather than anything negative.

Mayor Webber:

- It was important to be mindful of growth. Council had its own developments and time frames to adhere to and had to look at how it would fund its infrastructure. However, the Three Waters Reform was a Central Government issue. Growth and Central Government intervention needed to be looked at together in terms of risk.

Chief Executive Officer:

- 'Social procurement' covered quite a wide scope of things from engaging with and providing better outcomes for Tangata Whenua, procurement approaches such as placing conditions for social obligations on large commercial contractors, and driving other social outcomes through a social procurement policy.

DCEO/GMIG:

- It was felt that the main/big contractors used by Council at this point in time, such as Downer and Swaps, were not at risk in terms of not be able to complete works. This part of the market was still operating well.

10:14 Cr Henry withdrew from the meeting

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**RESOLUTION AR22-2.4**

Moved: Mayor G Webber

Seconded: Deputy Mayor J Scrimgeour

That the Senior Assurance and Risk Specialist's report dated 2 June 2022 titled 'Quarterly Review of Council's Risk Profile' be received.

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**CARRIED**

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#### **9.4 UPDATE ON OUTSTANDING AUDIT ITEMS (INTERNAL/EXTERNAL) JUNE 2022**

The Committee considered a report dated 2 June 2022 from the Senior Assurance and Risk Specialist. The report was taken as read.

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##### **RESOLUTION AR22-2.5**

Moved: Cr J Denyer

Seconded: Cr M Dean

That the Senior Assurance and Risk Specialist's report dated 2 June 2022 titled 'Update on Outstanding Audit Items (Internal/External) June 2022' be received.

**CARRIED**

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#### **9.5 HEALTH AND SAFETY REPORT**

The Committee considered a report dated 2 June 2022 from the Health and Safety Advisor. The report was taken as read.

The Health and Safety Advisor responded to questions as follows:

- Going forward, a comparative set of earlier data could be provided to demonstrate trends in the organisation.
  - A number of high risk volunteer groups had been identified and Health and Safety was currently recruiting for a position to monitor and manage these groups.
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##### **RESOLUTION AR22-2.6**

Moved: Cr A Sole

Seconded: Mayor G Webber

That the Health and Safety Advisor's report dated 2 June 2022 titled 'Health and Safety Report' be received.

**CARRIED**

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10:26am The meeting adjourned  
11am The meeting reconvened  
11am Cr Henry entered the meeting

#### **10 INFORMATION FOR RECEIPT**

Nil

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**10.1 AUDIT NEW ZEALAND UPDATE AND AUDIT TIMETABLE**

The Committee considered a report dated 2 June 2022 from the Financial Controller. The report was taken as read.

The Acting General Manager Corporate Services introduced Leon Pieterse from Audit New Zealand who took the Audit New Zealand report as read and noted the following key points:

- Audit New Zealand staff shortages had put them under a lot of pressure, and their timetables had been subject to change. However, they were on target to complete their audit by the extended statutory deadline of 31 December 2022.
- The valuation of property, plants and equipment was a big, complex item. A full re-evaluation for all assets for this year was recommended.
- The impacts of the Three Waters Reform was still fluid at this stage.

Leon Pieterse responded to questions as follows:

- The Finance Team was currently working on a new template for configuration and customisations costs for 'Software-as-a-Service' (SAAS) for International Financial Reporting Standards accounting standards.
- The adoption of the Audit New Zealand report could only be done through full Council. It was suggested that management give current Elected Members a preview of the report for their own assurance before the elections, where they could give their own recommendations for approval. The same management person/team could provide this information at the Council meeting where it was to be adopted.

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**RESOLUTION AR22-2.7**

Moved: Cr M Murray-Benge

Seconded: Cr G Dally

That the Financial Controller's report dated 2 June 2022 titled 'Audit New Zealand Update and Audit Timetable' be received.

**CARRIED**

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**11 RESOLUTION TO EXCLUDE THE PUBLIC****RESOLUTION TO EXCLUDE THE PUBLIC****RESOLUTION AR22-2.8**

Moved: Cr A Sole

Seconded: Deputy Mayor J Scrimgeour

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter 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 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48 for the passing of this resolution</b>
11.1 - Litigation Update	s7(2)(b)(ii) - 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	s48(1)(a)(i) - the public conduct of 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 or section 7

**CARRIED**

**The Meeting closed at 11:30am.**

**Confirmed as a true and correct record by Council on 29 June 2022.**