

**MINUTES OF WESTERN BAY OF PLENTY DISTRICT COUNCIL
AUDIT AND RISK COMMITTEE MEETING NO. AR21-3
HELD IN THE COUNCIL CHAMBERS, BARKES CORNER, TAURANGA
ON THURSDAY, 12 AUGUST 2021 AT 1.30PM**

1 PRESENT

Cr J Denyer (Chairperson), Mayor G Webber, Cr G Dally, Cr M Dean, Cr M Grainger, Cr K Marsh, Cr M Murray-Benge, Deputy Mayor J Scrimgeour, Cr A Sole and Independent Member M Maloney.

2 IN ATTENDANCE

J Holyoake (Chief Executive Officer), G Allis (Deputy CEO/Group Manager Infrastructure Services), R Davie (Group Manager Policy Planning and Regulatory Services), J Pedersen (Group Manager People and Customer Services), K Perumal (Group Manager Finance and Technology Services), D Jensen (Finance Manager), G Payne (Strategic Advisor), S Bedford (Financial Controller), O McVicker (Manager Corporate Services and Business Improvement), L Balneaves (Executive Assistant Finance and Technology Services), B Marynowski (Finance and Corporate Services Administrator) and C Irvin (Senior Governance Advisor).

OTHERS IN ATTENDANCE

Audit New Zealand

Clarence Susan (Director)

Pricewaterhouse Coopers

Phil Fisher (Partner)

K David (Senior Associate)

3 APOLOGIES

APOLOGIES

RESOLUTION AR21-3.1

Moved: Cr M Grainger

Seconded: Mayor G Webber

That the apologies for absence from Cr Gray, Cr Henry and Cr Thwaites be accepted.

CARRIED

4 CONSIDERATION OF LATE ITEMS

Nil

5 DECLARATIONS OF INTEREST

Nil

6 PUBLIC EXCLUDED ITEMS

7 PUBLIC FORUM

Nil

8 PRESENTATIONS

Nil

9 REPORTS**CHANGE TO ORDER OF BUSINESS**

The Chairperson requested that the next item of business be open agenda item 9.4: 'Summary of Audit and Risk Agenda Topics August 2021' in order to provide Elected Members with an overview of the Audit and Risk Agenda reports.

RESOLUTION AR21-3.2

Moved: Cr J Denyer
Seconded: Cr M Grainger

That open agenda item 9.4: 'Summary of Audit and Risk Agenda Topics August 2021' be the next item of business in order to provide Elected Members with an overview of the Audit and Risk Agenda reports.

CARRIED

9.1 SUMMARY OF AUDIT AND RISK AGENDA TOPICS AUGUST 2021

The Committee considered a report dated 12 August 2021 from the Group Manager Finance and Technology Services. The report was taken as read.

RESOLUTION AR21-3.3

Moved: Cr M Murray-Benge
Seconded: Cr A Sole

That the Group Manager Finance and Technology Services report dated 12 August 2021 titled 'Summary of Audit and Risk Agenda Topics August 2021' be received.

CARRIED

9.2 REPORT TO COUNCIL ON THE AUDIT OF WESTERN BAY OF PLENTY DISTRICT COUNCIL'S LONG TERM PLAN (LTP) - FOR THE PERIOD 1 JULY 2021 - 30 JUNE 2031

The Committee considered a report dated 12 August 2021 from the Finance Manager, who introduced Clarence Susan. Clarence Susan provided a brief overview, with the report being taken as read.

Clarence Susan responded to questions as follows:

- An unqualified opinion was given as there were two or three 'emphasis of matter' items, one of which was the Three Waters Reform, which could have a substantial impact on Council's Long Term Plan.
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- Clarence Susan advised that Council should perhaps focus its future efforts on delivering on the increased level of capital expenditure. It was important to monitor pressure on funding mechanisms and the level of debt that Council has set in its financial strategy.

RESOLUTION AR21-3.4

Moved: Cr M Murray-Benge

Seconded: Deputy Mayor J Scrimgeour

That the Finance Manager's report dated 12 August 2021 titled 'Report to Council on the Audit of Western Bay of Plenty District Council's Long Term Plan (LTP) - For the Period 1 July 2021 – 30 June 2031' be received.

CARRIED

9.3 TAX GOVERNANCE FRAMEWORK

The Committee considered a report dated 12 August 2021 from the Finance Manager, who introduced Phil Fisher from Pricewaterhouse Coopers.

Phil Fisher spoke to the report, noting the following:

- He described the way in which Councils and their Council Controlled Organisations (CCO's) could currently use dividends, donations and imputation credits to lower their effective tax bill, and how Inland Revenue was moving towards introducing legislation to remove that ability going forward.

Staff responded to questions as follows:

- Tax non-compliance regarding PAYE, employee payroll systems, section 23 payments, and personal grievances were all becoming major topics. A particularly complex area, where extra care is required for transactions with complex tax implications such as property transactions as an example.
- It was an opportune time to have Inland Revenue perform a tax audit for Western Bay of Plenty District Council (WBOPDC).

RESOLUTION AR21-3.5

Moved: Mayor G Webber

Seconded: Cr M Grainger

1. That the Finance Manager's report dated 12 August 2021 titled 'Tax Governance Framework' be received.
2. That the Committee receives the Chief Executive Officer's decision to adopt the Tax Governance Framework and that the work programme will commence in early 2021/22, with results reported to this Committee as outlined in the Framework.

CARRIED

9.4 HEALTH AND SAFETY REPORT

The Committee considered a report dated 12 August 2021 from the Group Manager People and Customer Services. The report was taken as read.

Staff responded to questions as follows:

- There had been a couple of 'teething issues' regarding the new 'Lone Worker' initiative. The more isolated areas needed additional technology to activate the device that detected when

- a worker had not moved for an extended period, and in a horizontal position. When this device was activated, a signal was sent back to the provider who then escalated the process.
- WBOPDC had joined with the District Health Boards (DHB) 'Work Well Programme'. This provided a structure with various programmes that worked towards accreditation. WBOPDC had received a Bronze accreditation to date.
 - The number of 'near miss' incidents reported by contractors was a good thing. It showed, and built on, an awareness of health and safety, which the contractors were already well versed in.
 - Council was reviewing the Health and Safety of volunteer groups in the Western Bay following the Te Puna quarry incident.
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RESOLUTION AR21-3.6

Moved: Cr M Dean

Seconded: Cr A Sole

That the Group Manager People and Customer Services' report dated 12 August titled 'Health and Safety Report' be received.

CARRIED

9.5 TREASURY UPDATE REPORT

The Committee considered a report dated 12 August 2021 from the Finance Manager. The report was taken as read, with the following two new developments being noted:

- As part of the Long Term Plan (LTP), Council had adopted a new treasury policy which provided a 'floor and a ceiling' for the amount of debt it should have at fixed and floating rates. Council was holding a fixed position (policy minimums). Interest rates were starting to rise and the Finance Team had been working with its treasury advisors on where they should best be placed to deal with the rising interest rates, proposing to work within Council's policy to have a higher level of fixed debt, compared to what they had in the past.
- There was an emerging funding risk around Council's relationship with Waka Kotahi. There was a significant transport programme in the LTP, which relied on funding from Waka Kotahi. Experience from previous LTPs showed that this funding was not always guaranteed. Council could have to choose to do less if it received less funding, or perhaps look for an alternative funding source.

Staff responded to questions as follows:

- Council received the first notice from Waka Kotahi regarding reduced funding, after the LTP had been adopted.
 - Inflation was harder to measure than interest rates. The Finance Team would have to monitor this very carefully.
 - It was important to have a 'fit for purpose' policy that provided Council with the ability to change as the world changed. A more adaptable and agile policy allowed for the changing dynamics of the world economy.
 - The Finance Team had regular meetings with Bancorp New Zealand Limited (Investment Banking). At a very recent meeting, Council's debt profile had been approved for the LTP.
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RESOLUTION AR21-3.7

Moved: Cr M Grainger
Seconded: Mayor G Webber

That the Finance Manager's report dated 12 August 2021 titled 'Treasury Update Report' be received.

CARRIED

9.6 UPDATE ON OUTSTANDING AUDIT ITEMS (INTERNAL/EXTERNAL) AUGUST 2021

The Committee considered a report dated 12 August 2021 from the Group Manager Finance and Technology Services. The report was taken as read.

Staff responded to questions as follows:

- None of the risks presented were considered significant. There were some ongoing matters which were considered low risk .
 - Independent Committee Member, Mark Maloney, offered the Audit and Risk Committee an additional reporting format for the outstanding audit items to be presented, that would provide more clarity on certain items.
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RESOLUTION AR21-3.8

Moved: Cr M Dean
Seconded: Cr M Murray-Benge

That the Group Manager Finance and Technology Services' report dated 12 August 2021 titled 'Update on Outstanding Audit Items (Internal/External) August 2021' be received.

CARRIED

9.7 REVIEW OF ACCOUNTING POLICIES, KEY ACCOUNTING ESTIMATES AND ASSET REVALUATION UPDATE

The Committee considered a report dated 12 August 2021 from the Finance Manager. The report was taken as read, with the Finance Manager providing the following comment:

- Every three years Council was required to make a valuation of its assets. This was Council's third year and there were some significant jumps in some asset classes, such as coastal marine, due to significant increases in the construction costs of putting these things in place. There would be significant cost involved if Council had to replace these marine assets. There was also a significant increase in stormwater and wastewater assets. This was because previous methodology had not included ponds, which were now included, as well as a slight change in methodology and an update in unit rates.

Staff responded to questions as follows:

- It was possible to add some additional information to the Annual Report regarding revaluations to help the public understand why 'anomalies' appeared every three years, as opposed to every year.
 - The level of 'granularity' (the scale or level of detail in a set of data) from the Valuers was quite high and in accordance with accounting standards.
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RESOLUTION AR21-3.9

Moved: Cr G Dally

Seconded: Deputy Mayor J Scrimgeour

That the Finance Manager's report dated 12 August 2021 titled 'Review of Accounting Policies, Key Accounting Estimates and Asset Revaluation Update' be received.

CARRIED

9.8 QUARTERLY REVIEW OF RISK PROFILE

The Committee considered a report dated 12 August 2021 from the Manager Corporate Services and Business Improvement. The report was taken as read.

Staff responded to questions as follows:

- Cr Denyer suggested risk number 7 on the heat map, 'Project Delivery Management', should be moved into the 'likely' category and that perhaps the risks outlined on page 70 of the report should include supply chain demand.
 - The Deputy CEO advised that this was correct. Supply chain issues were a definite risk given the world situation that included factories shutting down in Europe, which had a follow on affect on New Zealand. This created risk around project delivery, putting pressure on the contracting market and materials. The year ahead was expected to be a challenging one due to this.
 - AC (asbestos) pipes were being replaced as they failed. They were not considered a risk because they were underground.
 - It was important to make sure risks were not 'undercooked'.
 - There would be risks around new standards that would come about with the Three Waters Reform.
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RESOLUTION AR21-3.10

Moved: Cr J Denyer

Seconded: Cr M Grainger

1. That the Manager Corporate Services and Business Improvement's report dated 12 August 2021 titled 'Quarterly Review of Risk Profile' be received.
2. That the report relates to an issue that is considered to be of low significance in terms of Council's Significance and Engagement Policy.
3. That the Committee reviews each of the top eleven risks identified below.
4. That the Committee agrees which existing risks should be retained and reported on a quarterly basis.
5. That the Committee considers whether to add any new risks either as main topics or as individual risks under existing risk areas.
6. That Staff consider the proposed changes to the risk heat map for reporting at the next meeting.

CARRIED

10 INFORMATION FOR RECEIPT

Nil

11 RESOLUTION TO EXCLUDE THE PUBLIC**RESOLUTION AR21-3.11**

Moved: Cr M Dean

Seconded: Cr M Murray-Benge

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:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
11.1 - Litigation Updates	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 3:11pm.

Confirmed as a true and correct record by Council on 23 September 2021.