

**MINUTES OF WESTERN BAY OF PLENTY DISTRICT COUNCIL
AUDIT AND RISK COMMITTEE MEETING NO. AR21-4
HELD IN THE COUNCIL CHAMBERS, BARKES CORNER, TAURANGA
AND VIA ZOOM (AUDIO / VISUAL LINK) UNDER COVID-19 LEVEL 2
AND LIVESTREAMED ON THURSDAY, 4 NOVEMBER 2021 AT 1.30PM**

1 PRESENT

Cr J Denyer (Chairperson), Cr M Grainger, Cr G Dally, Cr M Dean, Cr M Murray-Benge, Deputy Mayor J Scrimgeour, Cr A Sole, Cr D Thwaites and Mayor Garry Webber.

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), O McVicker (Manager Corporate Services and Business Improvement), T Abraham (Senior Assurance and Risk Specialist) H Wi Repa (Governance Technical Support), J Osborne (Governance Support Administrator) and C Irvin (Senior Governance Advisor).

VIA ZOOM

M Maloney (Independent Subject Matter Expert), C Susan (Director, Audit New Zealand), L Balneaves (Executive Assistant Finance and Technology) and M Wakefield (Sustainability and Energy Specialist).

3 APOLOGIES

APOLOGY

RESOLUTION AR21-4.1

Moved: Cr D Thwaites

Seconded: Cr A Sole

That the apology for absence from Cr Gray, Cr Henry and Cr Marsh be accepted.

CARRIED

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 NOVEMBER 2021

The Committee considered a report from the Group Manager Finance and Technology Services. The report was taken as read, with the following noted:

- The report's two points of focus were the Committee Work Plan, and the Interim Audit Management Report.

The Group Manager Finance and Technology Services responded to questions about the Committee Work Plan as follows:

- The final Audit Engagement Letter could be worked on together with Audit New Zealand, to be distributed for the next Audit and Risk Committee meeting in March 2022.
- The final Audit Management Report was made available to Council subsequent to the Agenda closing for this meeting. There were still management comments to be made to the report. This would be distributed for the next Audit and Risk Committee meeting in March 2022.
- There had been no formal report to the Audit and Risk Committee on compliance, regulation and Government policy controls in the past. The control measures in place for this were through the Long Term Plan and Annual Reporting process. There was an opportunity for this to be factored into the assurance programme to be brought to the next meeting, perhaps through the risk assessment mechanism.
- Factoring fraud assessment into the Assurance Work Programme was being considered, potentially to be brought to the next Audit and Risk Committee meeting for consideration before any responses were provided to Audit New Zealand.

Clarence Susan spoke to the Interim Audit Management Report noting the following:

- The final Management Report had been issued but due to delays was not available for this Audit and Risk Committee meeting. It was scheduled to be discussed at the first Audit and Risk Committee meeting next year. The opportunity would also be taken to introduce the newly appointed Auditor to the Committee, and present the Engagement Letter.
- The Audit Plan was expected to come to the Committee in about June 2022 due to there being a delay in finalising some 2021 items. This meant that the Interim Audit would be done quite late next year.
- Payroll Masterfile control was important in managing and mitigating the risk of fraud or error. There had been a change of staff in the current year and substantive testing had been done around the Masterfile to obtain assurances to ensure that no changes could be made.

The Group Manager Finance and Technology Services responded to questions about the Interim Audit Management Report noting the following:

- There were no recommendations in the Audit Management Report that were felt difficult to comply with or insurmountable. The recommendations would be part of the improvement programme going forward.
- Proactive measures in terms of identifying risks would be put in place to address these issues at the first Audit and Risk Committee meeting next year, by way of the Assurance Programme, as well as opportunities for improvement, independent of the audit process.
- It was signalled through an earlier Annual Plan workshop that additional resources would be needed to cope with the extra demands that would be placed on the Finance Team by the Three Waters Reform. It would be important to onboard experts in the field as soon as possible.

Project management would be needed across the whole organisation, and a specific Three Waters Reform Project Manager would be needed.

RESOLUTION AR21-4.2

Moved: Cr M Grainger

Seconded: Cr A Sole

1. That the Group Manager Finance and Technology Services report dated 4 November 2021 titled 'Summary of Audit and Risk Agenda Topics November 2021' be received.
2. That the Committee agree the draft Work Plan for 2022.

CARRIED

9.2 RISK AND ASSURANCE UPDATE

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

Staff responded to questions as follows:

- The Senior Assurance and Risk Specialist had been engaging with Council managers and group managers around the Business Continuity Plan and risk registers to receive their input.
 - Testing of the Business Continuity Plan would be done in the January to March 2022 quarter.
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RESOLUTION AR21-4.3

Moved: Deputy Mayor J Scrimgeour

Seconded: Cr M Murray-Benge

That the Senior Assurance and Risk Specialist's report dated 4 November 2021 titled 'Risk and Assurance Update' be received.

CARRIED

9.3 TREASURY UPDATE REPORT

The Committee considered a report from the Finance Manager. The report was taken as read, noting that:

- A key update this quarter was around the Interest Rate Risk, predominantly inflation and interest rates. Interest and mortgage rates were increasing, as was inflation. This was putting pressure on Council's interest rates. Council was working with Bancorp, its official advisor, to make sure it was within policy, considering the risks, and that Council was best positioned to absorb the extra increases over time.

Staff responded to questions as follows:

- The risk to Council's interest rates and inflation depended on which particular activities were involved in the coming year. Pressure was being felt from procurement contracts such as material supplies. There was a risk that Council may not be able to achieve everything it planned to do, and projects that would be able to be carried out could potentially be at a greater cost. It would be a balancing act.
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Current record unemployment would have an effect on interest rates and Council was working to absorb the pressure of this as best as possible.

- Council had three inflation scenarios to choose from for the Long Term Plan and chose the highest inflation proportions. It was expected in some areas that prices would be marginally higher than forecast.

RESOLUTION AR21-4.4

Moved: Mayor G Webber

Seconded: Cr M Dean

That the Finance Manager's report dated 4 November 2021 titled 'Treasury Update' be received

CARRIED

9.4 QUARTERLY REVIEW OF RISK PROFILE

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

Elected Members raised queries regarding the following risks:

- Cr Grainger – Three Waters Reform.
- Cr Denyer – Emerging risks around the Resource Management Act reforms – effects on two and three story homes regarding FINCOS.
- Cr Denyer - The increased risk around Council's reputation regarding its community engagement with ratepayers.

Staff responded to questions as follows:

- One of the main risks for Council with the Three Waters Reform was around the transitioning of people and places. A 'Deep Dive' would be done to help mitigate the risks and support a smooth transition.
- The Senior Assurance and Risk Specialist would be working with the Senior Leadership Team over the next quarter renewing the risk management policy and framework. Once that was done, consultation with managers would take place to confirm high risk areas and put controls in place to mitigate those risks. It was important to test and monitor the controls in place to make sure they were working.

Committee Members made the following comments:

- Mayor Webber questioned whether Council should review its current risk register, given the upcoming Reforms and the future of Local Government. It would be worthwhile 'front-footing' it in the New Year.
- Cr Grainger suggested it may be worthwhile scheduling a workshop in the new year to review the risk register.

The Group Manager Finance and Technology Services made the following comment:

- There was a work plan in place with the Senior Leadership Team to revisit Council's Risk Profile to look at all risks and potential options this review might create.

Independent Member Maloney made the following comment:

- He supported a risk refreshment process given there was a lot of change that Council would be facing, which included COVID-19 and the fast moving and changing environment it

created, and responses to vaccination issues. It was a good opportunity to 'front foot' the risks and make any necessary changes.

RESOLUTION AR21-4.5

Moved: Cr M Grainger

Seconded: Cr M Murray-Benge

1. That the Senior Assurance and Risk Specialist's report dated 4 November 2021 titled 'Quarterly Review of Council's 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.

CARRIED

9.5 UPDATE ON OUTSTANDING AUDIT ITEMS (INTERNAL/EXTERNAL) NOVEMBER 2021

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

Staff responded to questions as follows:

- The Group Manager Finance and Technology Services noted that, at this point in time, there were no risks of concern and he was comfortable with the plans and mitigating controls in place.
 - It was agreed that subject matter 'Legislative Changes Regarding the Four Well-Beings' (page 41 of the report) could be seen as 'business as usual' and as such be transferred to the information pack.
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RESOLUTION AR21-4.6

Moved: Mayor G Webber

Seconded: Cr M Grainger

1. That the Senior Assurance and Risk Specialist's report dated 4 November 2021 titled 'Update on Outstanding Audit Items (Internal/External) November 2021' be received.
2. That subject matter 'Legislative Changes Regarding the Four Well-Beings' be transferred to the information pack.

CARRIED

9.6 HEALTH AND SAFETY REPORT

The Committee considered a report from the Executive Assistant, People and Customer Services. The report was taken as read.

The Executive Assistant, People and Customer Services responded to questions as follows:

- Council's independent review following the fatal accident at Te Puna Quarry had been concluded in terms of the legal status. It deemed that Council was the 'Person Conducting a Business or Undertaking (PCBU)' at Te Puna Quarry. Council was working with the park to ensure all safety obligations were met. Following the event, Council's Health and Safety Risk Register was reviewed, and a new management agreement had been developed.
- Council had also identified a range of similar situations (following the fatal accident at Te Puna Quarry) and had begun a review of the status of these agreements for safety requirements. There was further work to do in this space in terms of identifying the PCBU requirements.
- The near miss register was a very good way of providing opportunities to remedy issues.

RESOLUTION AR21-4.7

Moved: Cr A Sole

Seconded: Cr M Murray-Benge

That the Executive Assistant, People and Customer Service's report dated 4 November 2021 titled 'Health and Safety Report' be received.

CARRIED

10 INFORMATION FOR RECEIPT

Nil

11 RESOLUTION TO EXCLUDE THE PUBLIC

RESOLUTION AR21-4.8

Moved: Cr M Grainger

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:

| 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 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 | 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 |

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| | person who supplied or who is the subject of the information | |
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CARRIED

The Meeting closed at 2:40pm.

Confirmed as a true and correct record by Council on 16 December 2021.