



Ōtorohanga

District Council

*Ōtorohanga - where kiwi can fly
A dynamic, inclusive and unique district*

OPEN MINUTES

Risk and Assurance Committee

Independent Chairperson
Deputy Chairperson and Kāwhia Tihiroa Councillor
His Worship the Mayor
Ōtorohanga Councillor
Wharepūhunga Councillor

Peter Stubbs
Kit Jeffries
Max Baxter
Steve Hughes
Cathy Prendergast

Minutes of an ordinary meeting of the Risk and Assurance Committee held in the Council Chambers, Ōtorohanga District Council, 17 Maniapoto Street, Ōtorohanga on Monday, 26 June 2023 commencing at 10.00am.

Tanya Winter
CHIEF EXECUTIVE

28 June 2023

ORDER OF BUSINESS

OPENING FORMALITIES	3
Commencement of meeting Te tīmatanga o te hui	3
Apologies Ngā hōnea	3
Late items Ngā take tōmuri	3
Declaration of conflict of interest Te whakapuakanga pānga taharua	3
DECISION REPORTS NGĀ PŪRONGO WHAKATAU	
Item 21: Audit arrangements letter and Annual Plan timetable	3
Item 22: Insurance renewal update	5
Item 20: Sensitive Expenditure Policies	6
INFORMATION ONLY REPORTS NGĀ PŪRONGO MŌHIOHIO ANAKE	
Item 24: Capital works delivery update/risks	6
Item 23: Health, safety and wellbeing	7
Item 25: Outstanding management letter points from 2021/22 Annual Report	7
Item 26: Quarterly risk and legal update	8
MINUTES OF THE PREVIOUS MEETING	
Confirmation of minutes Te whakaū i ngā meneti - (6 March 2023 and 28 April 2023)	8
INFORMATION REPORTS	
Item 27: Climate change risk consideration - summary	8
PUBLIC EXCLUDED	
No reports.	
CLOSING FORMALITIES	
Meeting closure Katinga o te hui	9
WORKSHOPS HUI AWHEAWHE	9
Annual refresh of 'Top Risks' and Risk Appetite Statements	Open

PRESENT

Independent Chairperson Peter Stubbs, Deputy Chairperson Kit Jeffries, His Worship the Mayor Max Baxter, Councillor Steve Hughes, and Councillor Cathy Prendergast.

IN ATTENDANCE

Group Manager Business Enablement Graham Bunn, Group Manager Engineering & Assets Mark Lewis, Group Manager Strategy & Community Nardia Gower, Chief Advisor Ross McNeil, Manager Finance Brendan O'Callaghan, People & Capability Administrator Tanchia Pitts-Brown (for item 23), Executive Assistant Day Dowd, and Manager Governance Kaia King.

OPENING FORMALITIES**COMMENCEMENT OF MEETING | TE TĪMATANGA O TE HUI**

Chairperson Stubbs declared the meeting open at 10.00am.

APOLOGIES | NGĀ HŌNEA

RESOLVED R20: That the Risk and Assurance Committee receive and accept the apology from Mayor Baxter for late arrival.

Hughes | Prendergast

LATE ITEMS | NGĀ TAKE TŌMURI

There were no late items.

DECLARATION OF CONFLICT OF INTEREST | TE WHAKAPUAKANGA PĀNGA TAHARUA

There were no declarations made.

DECISION REPORTS | NGĀ PŪRONGO WHAKATAU**ITEM 21: AUDIT ARRANGEMENTS LETTER AND ANNUAL PLAN TIMETABLE**

Deloitte representative, Matt Laing, outlined the legal requirements for auditing an Annual Report. He commented on the expectations of the Auditor General and the requirements of the Local Government Act.

Chairperson Stubbs queried why the audit plans are different for different councils. Mr Laing advised there was ability to use some discretion, for example if Council wanted a matter to have additional attention that could be incorporated.

Councillor Hughes queried the prioritisation of areas identified in the audit plan, seeking confirmation those areas were discussed with Council's Leadership Team. Mr Laing advised the audit plan was developed following initial discussions with the Leadership Team and noted the plan could evolve throughout the audit period at the request of Council.

Deputy Chairperson Jeffries noted the third sentence of section 2B of the audit plan was incomplete. He then queried the expertise required for undertaking the valuations indicated on page 90. He sought

clarification on when and by whom, the in-house expertise to assess the fair value of Council's assets would be substantiated. Mr Laing advised the independent peer review would confirm the in-house findings and the audit team were required to confirm the assumptions applied in the valuation are appropriate.

Chairperson Stubbs queried the value of the auditors reviewing what has been peer reviewed by independent valuer. Mr Laing commented on the review undertaken last year where issues were identified in the peer review. He noted the judgment and assumptions required in the valuation meant it would remain a focus of the audit plan.

Council's G Bunn queried if a peer review was required when it was also being reviewed during the audit. Mr Laing stated it was not required but it was prudent to have a peer review undertaken.

Mr Bunn commented on the significant regional work done in relation to valuation of roading assets. He queried if a regional valuation could be applied rather than at an individual council level. Currently every council in the Waikato region were potentially revaluing assets annually. Mr Laing confirmed this could be a matter for consideration as the cost drivers would be reasonably consistent for each region although unit rates may differ.

Mr Jeffries queried the value of having our own staff doing the assessment if the cost of having it peer reviewed was similar. Council's B O'Callaghan advised the cost of a peer review was lower than requesting the full valuation and was a cost saving to Council.

Mr Jeffries referred to the fair value table on page 89, querying if the in-house valuation was underway or ready to implement. Mr O'Callaghan advised that new assets had been capitalised in the system and revaluations would be undertaken ready for the audit review. He noted the peer review quote was yet to be received.

In response to a comment by Councillor Prendergast, Chairperson Stubbs commented on the issues raised at a regional level and the upcoming discussion at a conference on the valuation matters.

Mr Jeffries referred to page 95 and the new financial standard instrument. Mr O'Callaghan commented on the relevance to Ōtorohanga District Council.

Mr Jeffries queried the receivables not recovered in the last annual report review seeking an update. Mr O'Callaghan noted he did not have the information to hand however Mr Bunn advised that he understood the receivable noted had now been recovered.

Mr Jeffries queried if the auditors were happy with the reliance on the local government-related forecasts. Mr O'Callaghan noted the BERL forecasts were used for the Long Term Plan and were updated in October each year, so the most recent version was always used. Mr Laing confirmed these forecasts were acceptable.

RESOLVED R21: That the Risk and Assurance Committee:

- a Recommend His Worship the Mayor sign the Engagement Letter for the audit of the 2021/22 Annual Report.
- b Receives the audit plan for the audit of the 2022/23 Annual Report as presented by Deloitte.

Stubbs | Hughes

ITEM 22: INSURANCE RENEWAL UPDATE

Matthew Wilson and Deanna Macdonald from AON provided a market update presentation.

Mayor Baxter joined the meeting at 10.36am.

Chairperson Stubbs noted an understanding of the risks assisted in the assessment process. Mr Wilson advised the renewal process commenced two months earlier than normal. The reason was to allow time to review schedules and the information provided noting the better information provided to the market meant insurers would be more likely quote accurately and provide adequate cover.

Council's G Bunn commented on Council's current cover and queried if AON thought it was sufficient. Mr Wilson noted the only additional cover would be cyber security but advised the premium paid for a relatively low level of cover may be better utilised in improving security.

Mayor Baxter queried the professional indemnity and public liability cover and Mr Bunn confirmed Council had cover via a separate insurer, Marsh.

In response to a query from His Worship, Mr Wilson noted AON were scheduled to present at the upcoming Local Government New Zealand conference on emergency insurance cover and the future ability to access insurance markets. He commented on matters such as managed retreat and restrictions on where people could build when there are known risks.

Deputy Chairperson Jeffries referred to page 57 querying Infrastructure insurance. Mr Wilson commented on the funding under central Government who pay 60% but noted local government needed to meet the 40% share of natural disaster recovery. However, in the Waikato, which is relatively benign, Council through the Co-Lab collective purchases a primary layer which provides 100% of the cover up to \$10 million with the Crown arrangement only relied upon above that limit.

Chairperson Stubbs queried if the \$500,000 excess for Infrastructure Insurance was similar to the excess amount of other similar sized councils. Mr Wilson confirmed it was comparative.

Councillor Prendergast queried how Council would fund the \$500,000 excess and Mr Bunn advised it would depend on the location of the incident but would most likely be funded out of operating budgets or by loan.

Mr Jeffries referred to page 58 and the accident and health policy, querying if there was a residual payout, would the money be given to the estate or could it be used for the resulting by-election. Mr Wilson advised the deployment of the monies was a Council decision. He stated it did not cover death by natural causes including illness.

Chairperson Stubbs queried if the \$1 million for defence costs was adequate given inflationary pressures and Mr Wilson confirmed it was an area which AON were keeping a watching brief on.

RESOLVED R22: That the Risk and Assurance Committee confirm the appropriateness of Ōtorohanga District Council's current policies, being AON brokered insurance.

Jeffries | Prendergast

Chairperson Stubbs adjourned the meeting for a short break at 11.14am and recommenced at 11.20am.

ITEM 20: SENSITIVE EXPENDITURE POLICIES

Council's B O'Callaghan advised two policies had required further changes and had been removed for consideration by the Committee, these being the Entertainment & Hospitality Policy and the Gifts & Koha Policy.

Chairperson Stubbs noted he had provided feedback on the Gifts & Koha Policy during the short break.

Deputy Chairperson Jeffries referred to the third paragraph on page 22 and queried if Council's Finance Team looks at every item of sensitive expenditure. Mr O'Callaghan advised the procurement system was configured so that no person could approve their own purchase orders. He noted the Finance Team undertook spot checks on sensitive expenditure claims and random checks on other expenditure.

Mr Jeffries queried if the Professional Membership Policy was relevant for elected members professional development. Mr Bunn confirmed it was not applicable and noted that professional memberships would only be reimbursed if they were clearly relevant to the performance of the staff member's duties and responsibilities.

Councillor Hughes queried the term 'reasonable' in relation to alcoholic drinks noting it was a subjective term. Mr O'Callaghan advised that there was greater detail in the Drug & Alcohol Policy and offered to send that policy to the Committee for their information.

RESOLVED R23: That the Risk and Assurance Committee approves the following policies:

- a Sensitive Expenditure Policy (document number 697591)
- b Professional Memberships Policy (document number 697594)
- c Staff Purchasing Policy (document number 697595)
- d Staff Support & Welfare Expenditure Policy (document number 697596)
- e Travel & Accommodation Policy (document number 697597).

Jeffries | Prendergast

INFORMATION ONLY REPORTS | NGĀ PŪRONGO MŌHIOHIO ANAKE**ITEM 24: CAPITAL WORKS DELIVERY UPDATE/RISKS**

Council's M Lewis advised the Water Services Entities Amendment Bill had passed its first reading in Parliament on 22 June. The Bill was referred to the Governance & Administration Select Committee. Submissions on the Bill close on 5 July. He advised a recent Local Transition Team meeting had discussed the staging of the entities being stood up and what impact it may have on staff retention. This is a potential risk as Entity A is expected to be stood up in July 2024. The available jobs will then be advertised which may impact staff retention in smaller councils.

Mayor Baxter queried Waikato District Council's (Entity B) arrangement with Watercare (Entity A). Chairperson Stubbs advised the Council had requested to be included in Entity A. This would have an impact on Entity B of which Ōtorohanga District Council is a member.

Chairperson Stubbs queried the percentage of the capital budget that would be delivered by 30 June 2023. Mr Lewis advised it would be between 60-65 percent. Mr Stubbs queried the risk in carrying over the budgets and compounding the project delivery issue. Mr Lewis responded that some of the projects were large and could not be completed within a one year timeframe. Additionally, there were added projects that were included as part of the Government stimulus fund. He advised Council had employed a Manager Projects whose sole focus was on the delivery of capital projects, so potential improvements around delivery were expected over time.

Mr Stubbs referred to paragraph 4.14 and the impact of the new standard on traffic management plan costs. Mr Lewis noted the current Compton risk-based model was prescriptive and contributed to a risk averse culture and the subsequent additional costs.

RESOLVED R24: That the Risk and Assurance Committee receive the 'Capital expenditure delivery risk exposure' report (document number 697687) from Mark Lewis, Group Manager Engineering and Assets.

Prendergast | Hughes

ITEM 23: HEALTH, SAFETY AND WELLBEING

In response to a query from Chairperson Stubbs, Council's T Pitts-Brown advised the eRoad system automatically generated some reports, for example, registrations, warrants of fitness and service due information. She advised a meeting had been scheduled with Waipā District Council's Fleet & Travel Manager to discuss data analysis. In response to a query from Councillor Hughes, Ms Pitts-Brown confirmed a report was generated for all off-road use and following data validation the mileage was claimed back for off-road travel.

In response to a query from Deputy Chairperson Jeffries, Ms Pitts-Brown confirmed Council was not currently enforcing the pre-qualification requirements for contractors but would look to make improvements in the future.

RESOLVED R25: That the Risk and Assurance Committee receive the 'Health, Safety and Wellbeing' report (document number 696960) from Tanchia Pitts-Brown, People & Capability Administrator.

Baxter | Hughes

ITEM 25: OUTSTANDING MANAGEMENT LETTER POINTS FROM 2021/22 ANNUAL REPORT

Chairperson Stubbs queried the agency payments reconciliation and Council's B O'Callaghan advised the levies collected for MBIE and BRANZ agencies were not significant. He noted the timing of the building work at Waikeria Prison consents and payments were out of sync and staff were in the process of completing a reconciliation.

RESOLVED R26: That the Risk & Assurance Committee receive the report titled 'Outstanding Management Letter Points from 2021/22 Annual Report' (document number 697084) from Brendan O'Callaghan, Manager Finance.

Prendergast | Jeffries

ITEM 26: QUARTERLY RISK AND LEGAL UPDATE

Council's G Bunn advised risk and legal matters were discussed by the Leadership Team and no significant changes were noted for either existing or emerging risks.

RESOLVED R27: That the Risk and Assurance Committee receive the report titled 'Quarterly Risk and Legal Update' (document number 696965) from Graham Bunn, Group Manager Business Enablement.

Hughes | Jeffries

CONFIRMATION OF MINUTES | TE WHAKAŪ I NGĀ MENETI

RESOLVED R28: That the unconfirmed open minutes of the Risk and Assurance Committee meetings held on 6 March 2023 and 28 April 2023, having been circulated, be taken as read and confirmed as a true and correct record of those meetings.

Prendergast | Jeffries

ITEM 27: CLIMATE CHANGE RISK CONSIDERATION - SUMMARY

Council's R McNeil noted the risk analysis was a work in progress. He advised direct risks were where Council had the ability to directly influence, control, manage, mitigate, and respond to risks. The indirect risks were risks where Council doesn't have control to direct what happens on individual properties where the services or infrastructure that support them are not provided by Council e.g., Electricity supply entities level of maintenance/improvements etc.

In response to a comment by Chairperson Stubbs, Mr McNeil clarified that the residual risk noted in the summary was pre-action mitigation as Council's Leadership Team has yet to consider the post mitigation residual risk. Mr Stubbs noted confirmation from Ōtorohanga District Council on their risk appetite for each risk would have consequences for budgeting in the Long Term Plan development.

Mr McNeil noted some mitigation actions were already underway e.g., the reassessment of the Ōtorohanga stop bank was identified as a priority project under the town concept plan. Whereas others, such as the urban area modelling would need to be considered as part of the Long Term Plan development once the project scope and cost were understood.

Members discussed the interconnection between Council and key stakeholders, such as Waka Kotahi, to ensure the maintenance of essential services. In response to a query from Councillor Hughes, Mr McNeil advised the lessons learned from other areas of the country, such as the flooding in Hawkes Bay, influenced the identification of critical infrastructure.

In response to a query from Council's G Bunn, Chairperson Stubbs requested three risks (seawall inundation, damage to Council property and, inability to treat/draw potable water) be prioritised for a 'deep dive' analysis.

RESOLVED R29: That the Risk and Assurance Committee receive the report titled 'Climate Change Risk Consideration - Summary' (document number 697605) from Ross McNeil, Chief Advisor.

Stubbs | Jeffries

PUBLIC EXCLUDED | TAKE MATATAPU

There were no reports.

CLOSING FORMALITIES**MEETING CLOSURE | KATINGA O TE HUI**

Chairperson Stubbs declared the meeting closed at 12.42pm.

WORKSHOPS | HUI AWHEAWHE**ANNUAL REFRESH OF 'TOP RISKS' AND RISK APPETITE STATEMENTS** 1.10pm – 2.20pm Open

Council's Chief Advisor, Ross McNeil referenced the Top Risk Summary document as the Committee worked through the risks.