

## WAIMAKARIRI DISTRICT COUNCIL

### MINUTES OF A MEETING OF THE AUDIT AND RISK COMMITTEE HELD IN THE COUNCIL CHAMBERS, RANGIORA CIVIC BUILDING, 215 HIGH STREET, RANGIORA ON TUESDAY 15 FEBRUARY 2022 AT 9.00AM.

#### PRESENT

Councillors J Ward (Chairperson), N Atkinson, S Stewart and P Williams and Mayor D Gordon (from 9.10am).

#### IN ATTENDANCE

Councillors A Blackie and P Redmond.

J Harland (Chief Executive), J Millward (Manager Finance and Business Support), G Cleary (Manager Utilities and Roding), C Brown (Manager Community and Recreation), P Christensen (Finance Manager), D Young (Senior Engineering Advisor), H Street (Corporate Planner) and E Stubbs (Governance Support Officer).

Y Yang (Appointed Auditor, Audit New Zealand)

#### **1 APOLOGIES**

An apology was received and sustained from Councillor K Barnett.

#### **2 CONFLICTS OF INTEREST**

No conflicts of interest were declared.

#### **3 CONFIRMATION OF MINUTES**

##### **3.1 Minutes of a meeting of the Audit and Risk Committee held on Tuesday 16 November 2022**

Moved: Councillor Atkinson                      Seconded: Councillor Williams

**THAT** the Audit and Risk Committee:

- (a) **Confirms** the circulated Minutes of the meeting of the Audit and Risk Committee, held on 16 November 2022, as a true and accurate record.

**CARRIED**

##### **3.2 Matters Arising**

There were no matters arising.

#### **4 PRESENTATION/DEPUTATION**

Nil.

## 5 REPORTS

### 5.1 Audit New Zealand Management Report for the year ended 30 June 2021 – J Millward (Manager, Finance and Business)

Y Yang introduced herself to the Committee noting that this was her first year as auditor to the Waimakariri District Council. She advised that due to significant resourcing issues at Audit New Zealand (ANZ), the Council's audit had only been completed in December 2021 which was later than the usual adoption date. It was hoped that in future the audits would be brought more in line with previous timeframes and the ANZ would continue to communicate with staff regarding future timelines. She thanked all the staff involved in the audit for their assistance and support.

Y Yang explained that an unmodified audit report had been issued and that the financial statements were fairly presented. She highlighted the uncertainty around the proposed Three Waters reform, noting that there had been no adjustment in the Council's financial statements to reflect potential future changes. However, the reform would impact the Council if it went ahead. It was further noted that it had been assessed that there was no significant impact on Council from Covid-19 in the financial year.

Y Yang noted that asset valuation was a significant area of risk for the Council. ANZ had found no material issues in the matters of fair value assessment of assets or revaluation of roading assets.

Councillor Atkinson thanked Y Yang for the report, and questioned the availability of ANZ to review the Council's financial management of the major transitions required for the potential Three 3 Waters reform. Y Yang did not believe the process would be held up by ANZ, however, more detailed guidance on the transfer of assets would be provided in future. It should be noted that the timeframe for this was still unknown and ANZ had not yet considered resourcing.

Councillor Atkinson further enquired how ANZ would ensure that auditing was not delayed in the future, considering the large volume of work involved in the proposed Three Waters reform. Y Yang advised that ANZ was currently dealing with the delays in the ANZ pipeline. J Millward added that the future audit process would be similar to the current process. The Council would continue to be audited by ANZ, however on a lesser scope.

Y Yang commented that overall ANZ was of the opinion that a culture of honesty and ethical behaviour had been created at the Council, which provided a good foundation for internal control systems. There were no significant internal control deficiencies, however, there were six new recommendations for the year. While two were urgent, none were considered as significant control deficiencies. The first recommendation was to mandate the use of purchase orders for all expenditure transactions to ensure one up review, and to investigate all self-approved transactions for the June 2021 financial year. The second recommendation was to align all delegations with the Council's Delegation Policy and to implement an appropriate process for a transaction exceeding the Chief Executive's delegation limit. It was also recommended that an independent review of all performance measures be implemented to address the current lack of oversight. Y Yang noted that the Council already had a recommendation action plan in place, and ANZ would carry out a review in the future to ensure the action plan was followed.

In conclusion, Y Yang provided an update on the status of previous recommendations, she highlighted that there were six open recommendations, one of which had been addressed by management since the report. Three past recommendations had been implemented and two recommendations would be followed up during the next audit.

**THAT** the Audit and Risk Committee:

- (a) **Receives** report No. 211223205816.
- (b) **Receives** Audit New Zealand's Management Report for the year ending 30 June 2021.
- (c) **Notes** there were no significant matters arising from the management letter and that Audit New Zealand have made a number of recommendations where systems could be improved. These improvements have been made or are programmed to be completed.

**CARRIED**

Mayor Gordon thanked Y Yang for the opportunity to meet and thoroughness of the audit and highlighted the importance of an independent audit opinion.

**5.2 Capital Works Programme Quarterly Report December 2021 – G Cleary (Manager Utilities and Roding), C Brown (Manager, Community and Recreation) and D Young (Senior Engineering Advisor)**

D Young, C Brown and G Cleary presented the report. D Young advised that the Capital Works Program delivery was significantly behind schedule in a number of areas and highlighted that the predominant cause for the program disruption was resourcing issues. Staff were therefore recommending the spreading and prioritising of the program. At this stage, staff acknowledged the predictions were well below where they would like them to be. This had been partially addressed through the 2022/23 Annual Plan process by moving work to the next financial year and considering the prioritisation of work. In the next few weeks staff would begin the planning process for the 2022-23 Capital Works Programme.

G Cleary noted that the Council had been provided a copy of the Capital Works Programme spreadsheet, that would be used to guide the program prior to the final adoption of the 2022/23 Annual Plan. This would ensure progress of the current year's program and take into account any works that would be carried over. Staff wished to be very careful not to overcommit for the following financial year, especially considering the possible impact that the proposed Three Waters reform. He noted the disappointment felt by staff regarding the program delivery especially considering the improvements made in previous years.

In response to a question from Councillor Williams, G Cleary commented that in terms of internal resourcing, the Council had a good graduate level program, however, attracting and retaining senior engineers in the current employment climate was very difficult. The biggest risk to the Capital Works Program was the availability of contractors. The industry was very busy, so when the Council went to the open market there were only few interested tenders and prices had increased. An important step was having good open communication with contractors. He noted that the Council was respected by contractors as a good organisation to work for. While staff were doing all they could to engage with contractors it was an acknowledged risk to the Capital Works Program.

Councillor Stewart questioned how she and fellow Councillors could be assured that the Council would deliver 90% of its capital works. She noted that when the Shovel Ready projects had been programmed staff had been confident that business as usual could be delivered and now this did not seem to be possible. She asked in this climate of high uncertainty what processes were in place to ensure better delivery. J Harland referred to preparation for the 2022/23 Annual Plan in which a prioritised list of projects and staff resourcing had been brought to the Council. That system would continue to be used internally and in addition, there was also the potential to create an internal oversight board. He again reiterated the uncertainty of the current climate. G Cleary highlighted that an additional step that would be taken prior to the adoption of the

2022/23 Annual Plan was to review estimates on all projects due to the current inflationary environment.

Councillor Ward commented on the difficult times that everyone was working in with many factors outside of staff control, she asked if there was an extension for shovel ready projects that could not be completed on time. G Cleary advised a paper had gone to Ōtākaro regarding timeframes. The final project, McIntoshs, had an extension. It was a tight timeframe but it was projected to be completed within the required time.

Moved: Councillor Atkinson                      Seconded: Mayor Gordon

**THAT** the Audit and Risk Committee:

- (a) **Receives** Report No. 220201012142.
- (b) **Notes** the predicted achievement across all tracked capital expenditure.
- (c) **Notes** that of the \$73.06 million total capital spend, \$57.53 million (79%) was predicted for completion, however an additional \$9.43 million (13%) was at risk of not being delivered.
- (d) **Notes** that any decisions to amend, increase or re-allocate budgets that had been recently made by the Council as part of the Annual Plan deliberations, or other Council reports were not captured in this report, however would be included in the next quarterly report.

**CARRIED**

Councillor Atkinson explained that in the past he had shared the view of Councillor Stewart regarding program delivery, however, he no longer did due to the current environment staff were working in. The delays in program delivery were not the staff's fault, as there were so many factors that were out of their control. He commented on the detailed reporting staff were doing to keep Councillors informed noting with quarterly reporting, and programing and resourcing updates, checks and measures were already in place. He commended staff for presenting what the Council had asked for, and the Chief Executive for adding further oversight.

Mayor Gordon endorsed the remarks of Councillor Atkinson and thanked staff for the work they were doing. The ambition for project delivery was the Councillors' own and the staff ensured that their level of ambition was put forward in the budget. It was up to the Council to set a realistic program considering the range of challenges that had been outlined. The information staff provided allowed Councillors to be more realistic to ensure more realistic programing.

Councillor Stewart accepted the circumstances that were out of the Council's control. With the current level of uncertainty the Council would not be doing ratepayers any service with ambitious programming. Councillor Stewart therefore urged conservatism in the program as she wished to see 90% delivery and did not want any surprises. She was not certain the draft 2022/23 Annual Plan fully reflected that conservatism and with tender prices increases the program needed to be tailored to that.

Councillor Redmond commented on the uncertainty of the times. He believed that the Council was doing well in the current climate.

Councillor Atkinson noted that from his understanding of the Capital Works Program had already been reduced by \$5 million. As Councillors it was their responsibility to be conservative with the Council's the Capital Works Program.

### **5.3 Non-Financial Performance Measures Second Quarter Results as at 31 December 2021 – H Street (Corporate Planner)**

H Street commented that performance measures were down if compared to the same period last year. Staff were making refinements to the new reporting software to add in the previous quarter result. She was aware more detailed commentary on targets that were not being met would be useful and was looking to remedy that.

Councillor Atkinson sought clarity as to the reasons for the large drop in performance and the proposed remedy for improvement. H Street noted that some delays resulted due to a lack of resources, in other cases for example the response to rural drainage, there was a delay due to flooding.

J Millward explained that in areas, such as Building Control, it was pressure on staff as the Council had received a record number of building consent applications. For others such as official information requests it was a 100% measure, so if one deadline was missed it could not be recovered before the end of the financial year. J Harland reiterated the impact of Covid-19. He added that for the next quarterly report the Managers would sign off on commentary, in particular the action required in order to perform at the required level.

Moved: Councillor Williams

Seconded: Councillor Atkinson

**THAT** the Audit and Risk Committee:

- (a) **Receives** report No. 220201012080.
- (b) **Notes** 68% of performance measures were achieved, 25% were not achieved and 7% were not yet due.
- (c) **Notes** 16 of the 28 measures that did not meet target were within 5% of being achieved.
- (d) **Notes** all measures have been reviewed and incorporated in the 2021-2031 Long Term Plan.

**CARRIED**

#### **5.4 Financial Report for the period ended 31 December 2021 – P Christensen (Finance Manager)**

P Christenson spoke briefly to the report highlighting that the surplus for the period ended 31 December 2021 was \$7.1 million. Debt was \$170,000 and there would be no change until the end of the March 2022 quarter.

Moved: Councillor Ward

Seconded: Councillor Atkinson

**THAT** the Audit and Risk Committee:

- (a) **Receives** Report No.220124008233.
- (b) **Notes** the surplus for the period ended 31 December 2021 was \$7.1 million. This was \$1.5 million over budget.

**CARRIED**

Councillor Ward thanked the Finance Team, commenting that the Council was in good hands with prudent managers. She noted that the rate rise had been kept to 4.3%.

Councillor Atkinson noted the lack of questioning was due to the good clarity provided in the report.

#### **5.5 Debenture Trust Deed Assurance Report for the year ended 2021 – P Christensen (Finance Manager)**

P Christenson spoke briefly to the report noting that it was an annual requirement due to the Council borrowing from a non-bank financial institution. .

Moved: Councillor Williams                      Seconded: Councillor Ward

**THAT** the Audit and Risk Committee:

- (a) **Receives** Report No. 220125008540.
- (b) **Notes** the Council was complying with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

**CARRIED**

## **6     PORTFOLIO UPDATES**

### **6.1   Audit, Risk, Long Term Plan and Excellence Programme – Councillor Joan Ward**

The 2022/23 Annual Plan had been drafted with no significant changes from the 2021/31 Long Term Plan. The actual rate rise was 4.3% up slightly from the forecast of 4.2%. Consultation would begin on the 4 March 2022.

### **6.2   Customer Service – Councillor Kirstyn Barnett**

Not discussion emanated from this point.

### **6.3   Communications – Councillor Neville Atkinson**

Not discussion emanated from this point.

## **7     QUESTIONS**

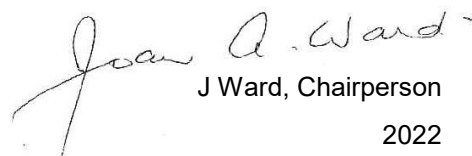
Nil.

## **8     URGENT GENERAL BUSINESS**

Nil.

THERE BEING NO FURTHER BUSINESS THE MEETING CONCLUDED AT 10.00AM.

**CONFIRMED:**

  
J Ward, Chairperson  
2022