WAIMAKARIRI DISTRICT COUNCIL

MINUTES FOR THE MEETING OF THE AUDIT AND RISK COMMITTEE HELD IN THE WAIMAKARIRI DISTRICT COUNCIL CHAMBERS, 215 HIGH STREET, RANGIORA ON TUESDAY 21 MAY 2019 COMMENCING AT 4.15PM.

PRESENT

Councillor N Atkinson (Chairperson), Mayor D Ayers, Deputy Mayor K Felstead, Councillors K Barnett, A Blackie and P Williams.

IN ATTENDANCE

Councillors W Doody, D Gordon and S Stewart
J Millward (Manager Finance and Business Support), J Palmer (Chief Executive), C Brown (Manager Community and Recreation), G Cleary (Manager Utilities and Roading), D Young (Senior Engineering Advisor), C Browne (Health, Safety and Quality Manager), G Meadows (Policy Manager), H Street (Corporate Planner), P Christensen (Finance Manager)

The Chairperson welcomed the Mayor, Councillors and representatives of the Management team from Selwyn District Council who were present to observe proceedings of the meeting. The meeting was opened and adjourned at 4.15pm and reconvened at 4.30pm. This allowed for the conclusion of informal discussions between the visiting Councillors and management and Waimakariri District Councillors and management.

1 APOLOGIES

Moved Councillor Williams seconded Councillor Barnett

THAT an apology for absence be received and sustained from Councillor Blackie.

CARRIED

2 CONFLICTS OF INTEREST

There were no conflicts of interest recorded.

3 CONFIRMATION OF MINUTES

3.1 Minutes of a meeting of the Audit and Risk Committee held on Tuesday 26 March 2019

Moved Councillor Felstead seconded Councillor Williams

THAT the Audit Committee

(a) Confirms the circulated minutes of a meeting of the Audit and Risk Committee, held on the 26 March 2019, as a true and accurate record.

CARRIED

4 MATTERS ARISING

No matters arising.
5 PRESENTATION/DEPUTATION

There were no presentations.

6 REPORTS

6.1 Audit New Zealand Management Audit Plan for the Annual Report for year ended 30 June 2019 – Jeff Millward (Manager Finance and Business Support)

Dereck Ollsson, who replaces John Mackey as the Waimakariri District Council Audit Director, and Chris Genet, Audit Manager, from Audit New Zealand presented the Audit Plan for the Annual Report for the financial year ended 30 June 2019. D Olsen highlighted some of the key focus areas, being the revaluation of the property, plant and equipment on a cyclical programme – this year the Council is required to value its road, land and buildings and parks and reserves. The Audit will determine if there is a fair valuation undertaken. The audit has also identified the transfer of the ownership of the Regeneration land, which is a key issue that will be looked at. This land was purchased and transferred to the Council for a cost of $1 from the Crown. This land needs to be carried at a fair value within the Council’s accounting records. A valuation is required to be performed of the land. Another area identified is the work relating to service performance information, and focus on rates and to ensure that the legislative requirements are being met. There are audit procedures that need to be performed to ensure that there is no fraudulent activities. There is a focus this year in the OAG office around bribery and corruption and there will be some work done relating to this. There is also the Officer of the Auditor General has a theme around procurement. There is a lot of work being done around procurement and the OAG may request the Auditors look at some matters in this organisation. It has been identified that some of the audit procedures can be undertaken before year end, which will reduce the congestion post year end and alleviate the pressure at the audit. The audit will be finalised and ready by the 1 October 2019.

Following a question from Councillor Barnett, J Millward confirmed that the audit will be adopted by Council either on the 1st or 8th of October. J Millward noted that matters are progressing well and the red zone property valuations are already undertaken. It is not expected there will be anything untoward to delay the audit and adoption of the Annual Report.

Deputy Mayor Felstead questioned who and how the focus areas are decided on. D Ollsson responded that from discussions with management they look at matters which would be of interest to the public. The OAG set their themes and consult with Parliament and they then identify certain themes. Once these are identified, these themes filter down in the work programmes of the Auditors.

J Millward commented that the Procurement and Contract Management Policy was adopted in November which was done in conjunction with Selwyn District Council and Canterbury Finance Managers and Shared services.

Moved Councillor Barnett seconded Councillor Williams

THAT the Audit and Risk Committee

(a) Receives report No. 190322039574

(b) Receives Audit New Zealand’s Audit Plan for the Council’s Annual Report for the year ended 30 June 2019;
(c) **Notes** the Audited Annual Report for the year ended 30 June 2019 is scheduled to be completed and adopted on or before the 8 October 2019.

CARRIED

6.2 **Local Government Act 2002 Section 17A Cost Effectiveness of Service Delivery – Graphic Design, Valuation Services, Alcohol Licensing and Food Registration – Veronica Spittal (Senior Policy Analyst)**

In the absence of Veronica Spittal, G Meadows (Policy Manager) and M Harris (Customer Services Manager) presented this report.

M Harris advised that the Council is in second three-year term of the Valuation services contract which goes until 2021. This function is not something that could be brought in house and delivery by an external contractor is the only option for the Council to meet the requirements of the Act. A more thorough review will be undertaken in 2021, prior to the expiry of the contract, to see what is available in the market.

The review of Environmental Services (alcohol licencing and food registration) is being put out to 2020 and Councillor Atkinson asked why this can’t be done now when it has already been put off once before. J Palmer responded, noting that there is also a vacancy for an ESU Manager which the Council is currently recruiting for. N Harrison (Manager Regulation), is standing in for this role at the moment as well. For Food Safety Inspectors, there is an ongoing conversation on what is the appropriate balance of in-house staff and using outsource contractors. It was noted that other Council’s do outsource some of this function. The Council wants to maintain some elements of this area internally, for the convenience of customer enquiries and for guidance and direction to the resources in health and food safety There will be a continued contract element. J Palmer advised that it is not intended to do a service review in advance of a new Manager being appointed and would want the Manager to be part of any review, and having this scheduled for 2020 would allow this. It was confirmed that this review has already been delayed previously and now it is being delayed a further 18 months.

Moved Councillor Felstead seconded Councillor Barnett

**THAT** the Audit and Risk Committee

(a) **Receives** report No. 190416056702.

(b) **Approves** the attached S17A Review for Valuation Services.

(c) **Agrees** that the reviews of Graphic Design, Alcohol Licensing and Food Registration be deferred until October 2020.

CARRIED

Councillor Atkinson is disturbed that this review of the Environment Services Unit is being delayed again, and does not want to see the unit put under any more pressure. This review could take place without a Manager being in place and Councillor Atkinson is disappointed that the review is being put out this far and would like to see a review done as quickly as possible.
6.3 Outcomes of the WDC Health and Safety Risk Register Review September 2018 – Liz Ashton (Manager Organisation Development and HR)

C Browne (Health, Safety and Quality Manager), presented this report on behalf of L Ashton. This presents the outcomes of the April 2019 WDC Health and Safety Risk Register review. There has been a full review of the Councils risk ratings and for that reason there has been a reduction in high risks and also because there has been a series of control measures implemented over the past six months. There has been four new risks added around water safety of the public; Water Safety in stormwater and stock races; corporate accommodation project and fatigue in the workplace (impairment). Three highest risks identified in this review are contractor health and safety management, driver safety and traffic management. There is an action plan associated with each of these high risk elements.

Regarding the identification of risks that the Council has no control of, Councillor Felstead asked is this a risk in itself. Mr Palmer noted that there are risks in many assets that the Council owns including roads and drains. In exercising responsible governance, the Council should identify the risk and the Act requires the Council to think about any practical, feasible or affordable mitigation measures that can be put in place. In some cases there aren’t and there can be serious consequences because of this.

Councillor Williams questioned the situation of a contractor working on a Council site, then sub-contracting out some of the work, with the risk of the subcontractor not meeting the Council’s health and safety requirements. C Browne said the Council endeavours to maintain control of contracts and asks that contractors provide the names of subcontractors and their levels of competence. J Palmer noted that there has been an issue recently when a sub-contractor was working on a Council site, without the knowledge of the Council. All parties involved when working on Council sites have a health and safety responsibility (i.e. sub-contractors, contractors and the Council as principal).

Mayor Ayers noted that some of the risks are not health and safety but about vehicles or property. C Browne noted there has been some discussion about whether some of these risks could get transferred to departmental risk registers.

Moved Councillor Williams seconded Councillor Barnett

THAT the Audit and Risk Committee

(a) Receives report No 190506064281,

(b) Reviews the outcomes of the WDC Health and Safety Risk Register Review April 2019, and

(c) Receives Risk Register Action Plan outcomes from April 2019 and notes the next steps for implementation.

CARRIED
6.4 **Non-Financial Performance Measures 3rd Quarter Results as at 31 March 2019 – Helene Street (Corporate Planner)**

H Street presented this report and provided two updates that had been advised since he report was submitted. Section 3.4 District Development, the number of Land Use Consents audited, this had been achieved in December, but had been incorrectly recorded as not met. Secondly, Community Protection, it was advised that there are still some inspections of licenced premises being undertaken each week, but the numbers of these are not known.

Councillor Barnett asked about the recurrence of water related matters that are not meeting the targets. Drain maintenance level of service is to respond within five working days, K Simpson confirmed that this is an appropriate measure and that the Council can achieve it. Currently there are two issues that staff are working through There are instances where the Council is responding within the five working days but the current system is not reflecting this. Secondly, it is Important to have all the systems and processes in place to meet the target. A new system now provides an update every 15 minutes and this is seeing a change in ownership with staff and making sure these service requests are keeping front of mind. There is also now both rural and urban land drainage staff resource, which will provide better responses.

Some wastewater schemes do provide issues and there are a number of things which make it challenging. K Simpson noted that regional councils are under more pressure to make sure that wastewater consent compliance is actually being enforced and council staff have noticed a stricter line from the Regional Council in this respect. Staff are working with the regional council and Looking at upgrading the systems to address the issues. G Cleary added that there has been quite a drive in the whole Utilities and Roading department on customer service request response rates and this has seen an increase in responses from 73% to 83% in the last 12 months. There has been more staff resources directed at these service request responses. There has been some improvements in systems, and there is still scope to be working on.

Councillor Stewart spoke on the stormwater service requests following the February 2018 storm, asks if all these have been dealt with now. K Simpson confirmed all requests had been deal with, though noted that there is still isolated groups that the Council is working with at Waikuku Beach and The Pines Beach. It was agreed that there will be an overall update provided to the next Utilities and Roading committee meeting.

Councillor Barnett asked about the community protection that has showing as not been undertaken and was there any legislative requirements that the Council was not meeting at this time. J Palmer agreed to source information on this and circulate this to all members.

Moved Councillor Barnett seconded Councillor Atkinson

**THAT** the Audit and Risk Committee

(a) **Receives** the report **Non-Financial Performance Measure 2nd Quarter Results as at 31 March 2019**, TRIM No. 190506064258.

**CARRIED**

Councillor Barnett comment on the improving trend noted in the report. Water issues in the district will always be challenging, both stormwater and wastewater. The Council has faced some fairly significant storm and flooding...
events in the past few years and appreciates the allocation of more resources in this area and the comprehensive information provided in the report.

6.5 Financial Report for the period ended 31 March 2019 - Paul Christensen (Finance Manager)

P Christensen presented this report and the financial result to the end of March 2019. The key results are the surplus was $11.8 million against a budget of $11.3 million. External debt remain at $145 million which hasn’t changed since August 2018 and the capital spend was $45 million, which is 51% of the budget. One key point to note is the operating cost is slightly over budget by 1% ($700,000). Two items highlighted are both non-cash items, the council was $800,000 over budget in depreciation, the largest area of this was roading and also had $800,000 of disposals which come from renewals work. J Millward provided an explanation on the roading depreciation.

Councillor Barnett asked why there has been an increase in interest on debt increased? P Christensen said interest doesn’t change much as interest rates are fixed rates with hedging and the loan interest budget may not have been calculated appropriately.

Moved Councillor Felstead seconded Councillor Williams

THAT the Audit and Risk Committee

(a) Receives report No. 190502062626.
(b) Notes that progress is tracking favourably in comparison to budget;
(c) Notes that the Council has maintained its AA credit rating, with an outlook of negative from Standard & Poors.

CARRIED

6.6 Capital Projects Quarterly Report – Year to Date ended 31 March 2019 – Don Young (Senior Engineering Advisor), Chris Brown (Manager Community and Recreation), Gerard Cleary (Manager Utilities and Roading), Paul Christensen (Finance Manager)

G Cleary, D Young, C Brown and P Christensen presented this report. D Young provided an explanation on the difference in the reporting of this information noting that most of the information relates to capital expenditure in Utilities and Roading department. There has been significant effort put into reporting against individual projects. This report is a work in progress, this allows managers to manage their projects on a daily basis, and secondly this provides good high level management information on a higher level to department managers, thirdly this presents information to the Council on what is happening behind the scenes.

D Young noted that when going through this process, it has become clear that there needs to be a standardisation in the reporting regime. There are many projects that do not fit within the normal delivery framework and so these may not show up as being the true performance as what is reflected in the report (possible due to timing). This may take a year or two for the true performance to be reflected in the reporting. Staff are endeavouring to give as truer picture as they can with this new reporting methodology.

Staff would appreciate any feedback from Councillors on the information that has been presented and any way this could be presented better. Following
discussion, Councillor Atkinson confirmed that any feedback could come directly to D Young

Councillor Stewart questioned if the completion time for projects was being pitched too ambitiously and could these not be “pulled back”. This is a concern she has raised previously. The new system being delivered to the Council was commended at delivering far more accurate information. G Cleary added that the U&R staff submission to the Annual Plan, to approve some projects that staff will be asking the Council to move to outer years, particularly in the drainage areas. In some cases because it is apparent that they would not be met in the timeframe originally, or that there is hold ups from developers.

D Young advised a new spreadsheet that is being developed will show Project Managers have a pre-planning stage, to show what resources will be required, any land purchases required etc. The aim of this is to be in a good position by 1 July and know where there are any problems. Council needs to be cleverer about allocating the budgets over multiple years and for people to be more realistic about what will be spent each year, rather than spreading it randomly.

Councillor Gordon asked when will the Council get the opportunity to have a discussion about Standard and Poor’s rating. J Millward said at the moment Standard and Poors are working on the rating factors which will make it more difficult to get a double AA rating. Their proposal involves changing eight factors that they use for assessment, down to six. J Millward noted that Development Contributions is not taken into account by Standard and Poors and also spoke on the factor that is a challenge for this Council, which is the debt percentage to operating revenue. There was also comment made on other credit rating agencies that the Council could use.

To provide some information, Mr Palmer said an introductory presentation will be made to the Annual Plan Deliberations meeting next week (May 28).

Councillor Barnett questioned the delays which show up in community and recreation items. C Brown noted the difficulty with reserves to be vested to Council in residential subdivision developments and development contributions. Mr Palmer said it is a foible of the LG Act and setting development contributions, but often doesn’t relate to the reality of the situation.

Moved Councillor Atkinson seconded Councillor Williams

THAT the Audit and Risk Committee

(a) **Receives** report No.190510066661

(b) **Notes** the progress of the capital projects as detailed below and in the attached spreadsheets

(c) **Notes** the improvement plan actions proposed as per Section 6 below.

**CARRIED**

Councillor Atkinson thanked staff for the report and the level of information provided. Over the coming years the reporting will provide a more clearer picture of projects and what can truly be accomplished in a year.

Councillor Stewart also thanked staff for this report and also looks forward to discussion regarding the Standard and Poor’s rating.
Councillor Barnett thanked staff for the level of reporting that is now being provided, noting that this has improved significantly over the recent years.

Councillor Atkinson noted that this reporting will improve each time and looks forward to the future of it.

7 PORTFOLIO UPDATES

7.1 Audit, Risk, Long Term Plan and Excellence Programme – Deputy Mayor Kevin Felstead

Councillor Felstead had nothing to report

7.2 Communications – Councillor Neville Atkinson

Councillor Atkinson had nothing to report.

8 QUESTIONS

There were no questions.

9 URGENT GENERAL BUSINESS

There was no urgent general business.

10 MATTERS TO BE CONSIDERED WITH THE PUBLIC EXCLUDED

Section 48, Local Government Official Information and Meetings Act 1987

Moved Councillor Atkinson seconded Councillor Barnett

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

The general subject 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(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution, are as follows:

<table>
<thead>
<tr>
<th>Item No</th>
<th>Minutes/Report of:</th>
<th>General subject of each matter to be considered</th>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
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<tbody>
<tr>
<td>10.1</td>
<td>Report of Maree Harris (Customer Service Manager)</td>
<td>Request to Remit Statute Barred Rates</td>
<td>Good reason to withhold exists under Section 7</td>
<td>Section 48(1)(a)</td>
</tr>
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This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987, and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:
## Item N°  Reason for protection of interests  Ref NZS 9202:2003 Appendix A

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<th>Reason for protection of interests</th>
<th>Ref NZS 9202:2003 Appendix A</th>
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| 10.1    | Protection of privacy of natural persons  
To carry out commercial activities without prejudice | A2(a)  
A2(b)ii |

CARRIED

**CLOSED MEETING**

**Resolution to resume in Open Meeting**

Moved Councillor Atkinson seconded Councillor Barnett

**THAT** open meeting resumes and the business discussed with the public excluded remains public excluded.

CARRIED

**OPEN MEETING**

There being no further business, the meeting closed at 6.10pm.

CONFIRMED

__________________________________________  
Chairperson

__________________________________________  
Date