

MINUTES



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MEMBERSHIP: Bruce Robertson (Independent Chair), Andy Cranston, Larry Foster, Pat Seymour, Terry Sheldrake, Rehette Stoltz (Mayor) and Josh Wharehinga

MINUTES of the AUDIT & RISK Committee

Held in Te Ruma Kaunihera (Council Chambers), Awarua, Fitzherbert Street, Gisborne on Wednesday 21 September 2022 at 9:00AM.

PRESENT:

Bruce Robertson (Independent Chair), Andy Cranston, Larry Foster, Pat Seymour, Terry Sheldrake.

IN ATTENDANCE:

Chief Executive Nedine Thatcher Swann, Director Lifelines David Wilson, Director Internal Partnerships James Baty, Chief Financial Officer Pauline Foreman, Risk Partner Steve Breen, Internal Audit partner Tina Swann, EY Partner Stuart Mutch, EY Assurance Manager Loren Hunt, Senior Legal Counsel Dianne Fenn, Governance Advisor Jill Simpson and Committee Secretary Penny Lilburn.

The meeting commenced with a prayer.

1. Apologies

MOVED by Cr Seymour, seconded by Cr Sheldrake

That the apologies from Mayor Stoltz and Cr Wharehinga be sustained.

CARRIED

2. Declarations of Interest

There were no interests declared.

3. Confirmation of non-confidential Minutes

3.1 Confirmation of non-confidential Minutes 18 May 2022

MOVED by Bruce Robertson, seconded by Cr Foster

That the Minutes of 18 May 2022 be accepted.

CARRIED

3.2 Governance Work Plan

The meeting date of the 23 November may change for the next committee meeting.

The strategic risk report will be ongoing and will be at every meeting.

4. Leave of Absence

There were no leaves of absence.

5. Acknowledgements and Tributes

Acknowledgments to Cr Seymour and Cr Sheldrake for their huge service to the Audit & Risk committee over the years.

6. Public Input and Petitions

There were no public input or petitions.

7. Extraordinary Business

There was no extraordinary business.

8. Notices of Motion

There were no notices of motion.

9. Adjourned Business

There was no adjourned business.

10. Reports of the Chief Executive and Staff for INFORMATION

10.1 22-167 Internal Audit Report to 21 September 2022

Discussions included:

- The strategic and organisational risks are being reviewed by Council's Risk Partner Steve Breen. Once the risk framework is applied, then staff will be able to later develop the internal audit which will be looked at end of next year.

MOVED by Cr Seymour, seconded by Cr Foster

That the Audit & Risk Committee:

1. Notes the contents of this report.

CARRIED

10.2 22-207 Health and Safety Update

Discussions Included:

- Removal of the COVID-19 orange traffic light measure means there is no need for mask wearing in any of the Council buildings.
- A very positive health, safety and wellbeing result from the recent survey.
- Health and Safety has changed to Health, Safety and Wellbeing due to COVID-19 and working from home etc.
- Mental health awareness week is next week, and staff have developed some initiatives to practice positive wellbeing. Those that are taken well over the week will be used in practice over time.

- There have been several failures from contractors who are tier 1, 2, and 3 regarding robust health and safety procedures, however human error has let them down. To try and mitigate this, open and transparent conversations need to be held with regular meetings between staff and contractors to ensure both sides can find the faults and learn from these failings, so it does not happen again.
- On the back of the COVID experience, multiple working parties were looking at the different aspects associated with working from home. There was a guideline created on the 'do's and don'ts' while working from home. It is a continuing piece of work, but Council has appropriate measures in place to enable people to work safely in their home. From a risk perspective it is much like working in an office, but it is a challenge that is still being worked towards.
- Council has had an Employee Assistance Programme (EAP) for quite some time; however, it is not utilised to its full extent. Council ran an extensive programme to educate staff including a workshop on tools for Managers.
- Previous wellbeing surveys have been done several times and participation has always been significantly higher at Gisborne District Council than across the sector and other multiple businesses across New Zealand.
- The serious driving incident on Waingake Road involving a contractor was a case of generally driving too fast for the conditions. There were four other people in the car who could have spoken up about the speed and it is a part of the driving culture that needs to be changed. Since then, meetings have been held with contractors in relation to Waingake Road and the access to the forest area. Contractors are working closely with the Police in the investigation process.
- There are multiple Electric and PHEV vehicles which have been a good addition to Council vehicles. A pin number is used, and this registers who you are, where you are and how fast you're driving. This information is available to Managers to recognise safe behaviour driving.
- New staff members assigned vehicles are put through an online training module called Fleet Coach which trains staff to make better choices, develop a better driving attitude, create safer behaviours and awareness, understand the impact of workplace driver culture and helps to manage their on-road risk.

MOVED by Cr Sheldrake, seconded by Cr Cranston

That the Audit & Risk Committee:

1. Notes the contents of this report.

CARRIED

10.3 22-218 Council Strategic Risk Management Report

Risk Partner Steve Breen spoke to the report. Several strategic risks are exceeding the risk appetite and currently have five outside of the appetite.

Civil Defence

This is currently a major risk. The first and most immediate risk is that the Civil Defence Emergency Management function is currently located in Awarua which is in the tsunami zone. The mitigation is that management are actively working to relocate the function. Construction of the new building outside the tsunami zone is underway and once completed should see this risk fall to moderate level. The second risk is that there is an emerging trend towards higher frequency of severe weather events which has the more direct impact on the risk assessment level. Management are actively re-working major events to drop that risk back to moderate. This includes reassessing the resourcing required to meet increasing major events, improving the training and includes greater training support for Councillors which will also be a part of the new Councillor induction process. Implementing the medium-term actions of the Civil Events Review Plan is now at 80% and on track to having those medium-term actions completed. Through the recent weather events, there was a strong reliance on the volunteer network. The Group Plan has a focus on having a specific volunteer management policy whereby that resource is appropriately recognised and supported internally. Staff are currently assessing the purpose and relevance of a specific Recovery Manager resource within the team and from looking at experience elsewhere, there is a case to be made. Staff are also looking at how that sits alongside the other roles and functions within the team.

Discussions included:

- The CDEM team have been using their time to go into the community using the tools and resources at Gisborne District Council and educating the community on a number of things using the community link. There are some wish list items but that will be a discussion for the next Long Term Plan.
- Working with the emergency partners, there are a number of gaps which are being looked at and hopefully filled in the next few years.
- Working through the distribution of containers at the Marae.
- There is a plan in place for an alternate CDEM pop-up site should we need to locate quickly.

People & Capability

Staff are continuing to apply the actions approved by Council that came into effect 1 July. The recruitment statistics have stabilised under an ongoing, difficult market environment to work in. There is reassurance for this Committee that the recruitment performance figures are stabilising and will continue to improve.

Finance & Procurement

Both assessed as major risks. This assessment is based more on prudence than an actual risk occurring. The actions being taken to bring this risk back to moderate is to continue with the treasury actions and increasing our monitoring cash flow forecasting, covering our interest rate movements, and reprioritising spending where appropriate, and scenario modelling to anticipate where risk events are likely to emerge. Also actively working on the Insurance Strategy to ensure that the policies are effective for the type of cover and type of event we require the insurance for.

Regarding procurement assessment, there is increased monitoring and cash flow forecasting, but also further review of the procurement strategies and resources against the long-term plan timeframes as the market conditions change. Depending on how the schedule of work sits against the long-term plan timeframes and any major changes in expected costs, there is the opportunity to rationalise the procurement arrangements if resources are deemed at a critical level.

Legal Compliance

Although the risk is assessed at minor, at the previous Committee there was a number of actions that were in review, and they are now completed. While risk may be minor, that is the result of an active follow-up and processing of those review actions.

Natural Environments

This is assessed as major. It is the result of a shortage of skilled employees needed to maintain the expertise in this area of Council's activity. It is being addressed through the wider people and capability actions.

Asset Management

It is at the high end of the risk scale. There are three main components to the asset management: roading infrastructure, 4-waters infrastructure and community assets. 4-waters infrastructure and community assets have a moderate risk assessment; however, it is the roading infrastructure that triggers the serious assessment, primarily due to the severity of the weather events experienced this year.

While the roading network is still functional, due to the impact and the scale of these events the matrix steers it towards a serious assessment rather than moderate. Under the asset performance and service delivery criteria, moderate is deemed to be damage to or loss of a minor asset, whereas serious is considered serious damage to, or loss of a critical asset. We believe that the roading network is a critical asset and that has prompted the assessment which is supported by the financial risk consequence matrix. The initial assessment of the financial impact to restore the roading network exceeds two million dollars which places it at serious risk, hence the serious status it is now sitting at. Actions being taken by management to bring it back to at least moderate include the funding application made to Waka Kotahi, and if successful that would provide an immediate injection of funds to assist the roading network. However, management is still trying to work within the budget regardless of that particular outcome.

Further discussions included:

- Better off funding has come from 3-waters to help councils transition. The other reforms have not yet been quantified and so the cost is still not known.
- There is just not enough staff capacity to operate at a high level, but it is a trend seen in many other regional councils. Many people are leaving Councils to go to Central Government due to the enormous salaries which are offered but central government does have to put a cap on these new positions.
- The Wairoa Council has a different funding assistance rate to Tairāwhiti, so their funding rates differ due to affordability issues.
- There is a conversation that needs to be held with central government, as the adverse weather events that are occurring in Tairāwhiti are a worldwide climate crisis and ratepayers are paying for this issue.
- There is potential for vulnerability, particularly around the impact on funding to restore the community to where it was before the event, and then having the funding available for any future events.
- Staff are seeing issues around freight and delay, particularly around goods being delivered here in New Zealand. Council is exposed to this on a number of projects, and it is something that will begin to be seen regularly.
- There is some stability being seen in prices especially around fuel, and as the fuel price has started to stabilise, the prices from contractors are also stabilizing.
- Material costs are still increasing, and they very rarely drop.

MOVED by Bruce Robertson, seconded by Cr Foster

That the Audit & Risk Committee:

1. Notes the contents of this report.

CARRIED

Secretarial Note: The meeting adjourned at 10.05am and reconvened at 10.20am.

10.4 22-219 Insurance Renewal

Discussions included:

- Have committed to the spend with AON for scenario modelling to provide a more insightful look at where the insurance stance is and how we share risk. The first part of this is the earthquake assessment modelling and the 4-waters assets.
- Have done an order of priorities on tasks shown on page 47, with number 5 having an enterprise risk management framework on what can be covered, what can be self-ensured and what are those levels. Once this process has gone through with the insurance cover, it immediately goes to the next schedule on what needs doing and what can be accepted.
- Waingake is being insured the same as forestry due to liability. In terms of cover, it is between \$15-20k.

MOVED by Bruce Robertson, seconded by Cr Seymour

That the Audit & Risk Committee:

1. Recommends that Council:
 - a. Notes the position reached with Council's insurance brokers regarding insurance arrangements for wrecks and covering our responsibilities.

CARRIED

10.5 22-223 Ernst & Young Closing Report for the Year Ended 30 June 2022

COVID had an impact on the processes in this report, particularly on the valuations. The roading and 4-waters infrastructure are usually not highly impacted however were affected significantly this time. In turn this influenced some of the substantive testing's and created a lot of backwards and forwards on information.

Have been through the Council Annual report and there are several challenges regarding service performance due to the weather events that have occurred in the year. Have spent a lot of time on the major capital work and remediating the damage done by these.

The audit has gone well in terms of everything that needed to be delivered has been in a timely manner. There have been some challenges in terms of infrastructure assets and group reporting. The audit of GHL is finished and have provided the final adjustments to GHL 6 September. The key take aways were ensuring that the final consolidation numbers have come together correctly and making sure that the cut off work around subsidies and grants is correct.

On page four, the infrastructure assets make up a significant portion of Councils balance sheet and most of these are valued at depreciation replacement cost every three years according to market movements. Have met with the valuers for both Stantec and WXP who provide the rates for the infrastructure assets and discussed what the drivers of the valuation were.

Are substantially through the audit procedures of the infrastructure assets. The last key area is on page seven around grants and subsidies focusing on the two major grants - Waka Kotahi funding and Crown Infrastructure funding which is funding the Olympic pool. Every dollar spent on roading from Waka Kotahi, Gisborne District Council gets 68c in the dollar.

Auditors have observed that there are some work-ons with the connectivity between GHL and Council which will be discussed later. There are changes with accounting standards coming in later in the year and as a flow on effect there will be changes with disclosure policies which are currently being worked on with management. There was a complaint made to the auditor general in relation to the roading conditions and maintenance at Waikura Valley. Are currently working with management to provide the auditor general with information to support their correspondence, which will likely be resolved in a reasonable manner.

MOVED by Bruce Robertson, seconded by Cr Sheldrake

That the Audit & Risk Committee:

1. Notes the Contents of this report.

CARRIED

11. Public Excluded Business

Secretarial Note: These Minutes include a public excluded section. They have been separated for receipt in Section 11 Public Excluded Business of Council.

12. READMITTANCE OF THE PUBLIC

MOVED by Bruce Robertson, seconded by Cr Seymour

That the Audit & Risk Committee:

1. Re-admits the public.

CARRIED

13. Close of Meeting

There being no further business, the meeting concluded at 11:57 am.

Nedine Thatcher-Swann
CHIEF EXECUTIVE