

MINUTES



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MEMBERSHIP: Bruce Robertson (Independent Chair), Her Worship the Mayor Rehette Stoltz, Colin Alder, Andy Cranston, Tony Robinson, Rob Telfer and Josh Wharehinga

MINUTES of the **AUDIT & RISK/ĀRAI TŪRARU ME TE TĀTARI KAUTE** **Committee**

Held in Te Ruma Kaunihera (Council Meeting Room), Awarua, Fitzherbert Street, Gisborne on Wednesday 15 March 2023 at 9:00AM.

PRESENT:

Bruce Robertson (Independent Chair), Her Worship the Mayor Rehette Stoltz, Colin Alder, Andy Cranston, Tony Robinson, Rob Telfer and Josh Wharehinga.

IN ATTENDANCE:

Chief Executive Nedine Thatcher Swann, Director Lifelines David Wilson, Director Internal Partnerships James Baty, Director Engagement & Maori Responsiveness Anita Reedy-Holthausen, Chief Financial Officer Pauline Foreman, Chief of Strategy & Science Jo Noble, Risk & Performance Manager Steve Breen, Senior Procurement Advisor Andrew Haughey, Health & Safety Manager David Wilkinson, Senior Legal Counsel Jacinta Bowe, Partner Ernst & Young Stuart Mutch, Democracy & Support Services Manager Heather Kohn and Committee Secretary Jill Simpson.

Secretarial Note: Cr Parata attended the meeting via audio visual link.

The meeting commenced with a karakia.

1. **Apologies**

MOVED by Bruce Robertson, seconded by Cr Stoltz

That the apology from Cr Robinson for lateness 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 23 November 2023**

MOVED by Bruce Robertson, seconded by Cr Stoltz

That the Minutes of 23 November 2022 be accepted.

CARRIED

4. **Leave of Absence**

There were no leaves of absence.

5. Acknowledgements and Tributes

There were no acknowledgements or tributes.

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 DECISION

10.1 23-51 Ernst Young Audit Proposal

Chief Financial Officer Pauline Foreman introduced Stuart Mutch, Partner at Ernst & Young to the meeting and he explained that he is waiting for the Audit Fee Proposal to come back from the Office of the Auditor General.

In terms of reflection, it took longer to do the audit last year for a few reasons, ie the operational tempo of Council has increased, the scale of central government funding into the district has increased over the last 2 to 3 years, challenges around water quality standards and consolidation and infrastructure indexing matters.

MOVED by Bruce Robertson, seconded by Cr Cranston

That the Audit & Risk/Ārai Tūraru me te Tātari Kaute Committee amend the recommendation as follows:

1. Delegates to the Chair of the Committee and the Chief Executive the task of clearing the Engagement Letter and the Audit Fee Proposal from Ernst Young.

CARRIED

11. Reports of the Chief Executive and Staff for INFORMATION

11.1 23-50 Ernst Young Audit Plan

Stuart Mutch advised that the Audit Plan sets out the intended focus for the year. It was written after Cyclone Gabrielle and before full knowledge of the impact of the cyclone, so a piece has been added around emergency works and funding. The focus is to keep in touch with Council progressively throughout the year and work through issues as they arise and this could be in relation to impairment of assets, insurance claims, central government funding, changes in legislation around timelines etc.

The audit of Gisborne Holdings Ltd (GHL) will be done separately and directly with GHL.

Questions included:

- In terms of different interpretations or challenges to some elements of rates strikes, there are always one or two rates' questions or challenges across the sector.

Secretarial Note: Cr Robinson arrived at 9.15am.

- To adjust the \$120k relating to materiality threshold involves a lot more work by the Auditors as it drives the detail of the testing that the Auditors undertake, so the lower the reporting threshold the more detailed work must be undertaken.
- Expenditure is matched as close as possible to expected reimbursement. Discussions are in place with NEMA and Waka Kotahi for progress payments for easing cashflow. Council has facilities in place for up to \$35m to help manage short term cashflow problems. The first order of responsibility for Council is to monitor and manage cashflow carefully and to ensure that the subsidy that can be claimed is controlled well so that expenditure can be managed correctly.
- Additional resources are in place to oversee claims and to determine where the costs lie.
- Timeliness of the audit will be valuable, and the balance sheets needs to portray the real situation.
- Council maintains Asset Management Plans that details structure and nature of the assets. Expectation is that Council goes through a robust process to keep the plans and Useful Life Assessments up to date. There will be some assets that will not last as long as expected because of the current conditions and this will potentially have an impact on valuation as these are based on an optimised depreciated replacement cost. An important component is to know how far through the useful life of the infrastructure asset is. All of this will flow through to the Long Term Plans, the Infrastructure Strategy and a long term view on how much needs to be spent to maintain service levels within the networks.

MOVED by Bruce Robertson, seconded by Cr Wharehinga

That the Audit & Risk/Ārai Tūraru me te Tātari Kaute Committee amends the recommendation as follows:

1. Approves the Ernst Young Audit Plan.

CARRIED

11.2 23-53 Council Strategic Risk Management Report

Risk & Performance Manager Steve Breen attended and spoke to the report. The People & Capability risk had previously been at 'major' and is now at 'moderate'. Data confirms that we are moving back within our risk appetite in terms of vacancies and turnover of permanent personnel. The report states our current turnover level sits at 16.6% which is just within our threshold of 17%. It has now fallen further to 15.8%.

Questions of clarification included:

- Business Continuity Plans tend to be used more in the Response stage of an emergency.
- In relation to People & Capability and in addition to improvements mentioned in the Public Excluded report, there is a specific specialist that works on recruitment full time. Other processes worked on are Employee Value Proposition, Culture Intervention and in addition to this the market has improved because of the borders opening which has had an impact across the nation.
- By having in-house expertise regarding the tendering process, we have been able to grow our capability internally which gives better control over the process of assessing quotes and proposals.

MOVED by Cr Wharehinga, seconded by Cr Stoltz

That the Audit & Risk/Ārai Tūraru me te Tātari Kaute Committee:

1. Notes the contents of this report.

CARRIED

11.3 23-55 Insurance Renewal Update

Deanna Macdonald from Aon New Zealand Ltd attended by audio visual link and presented.

Questions included:

- In terms of finding an underwriter, Aon is still able to get markets for Council, however they will be looking at loss limits at the top end of the market and they may look at deductibles and putting weather event etc limits on. A programme will be able to be purchased but it may have some limitations as to what is included and what is not.
- Damaged assets have been identified and loss assessors have been on site, so this part has been completed. The next step is to agree amounts. Appropriate resources are in place to activate insurance for the current year and the claims.
- The insurance programme for Council is purchased as part of the BOPLass Group. They consider weather events, asset values, how these assets are protected and what their condition is. This is looked at on as a whole rather than an individual basis because of how it is affecting so many.
- The money you get from insurers when claiming is the value of the asset prior to the event. Increasing value lies with Council.

MOVED by Bruce Robertson, seconded by Cr Wharehinga

That the Audit & Risk/Ārai Tūraru me te Tātari Kaute Committee:

1. Notes that:
 - a. An amendment is underway to Council's Infrastructure Insurance maximum probable loss relating to median 1 in 500-year earthquake event, moving from the existing \$250m to \$293m. This will be subject to our insurers finding underwriters.
 - b. Future updates to the Audit & Risk Committee will be reported over options for maximum probable loss for Councils infrastructure – including higher risk certainty (i.e. 90% at 1 in 500-year event) and median range for a 1 in 1,000-year event.

CARRIED

11.4 23-60 Health & Safety

Health & Safety Manager David Wilkinson attended and spoke to the report.

Questions of clarification included:

- Will investigate which contractors need to be included in the Tier 1 Group.
- Ernslaw One and Aratu have engaged Siteworx to complete a beach cleanup. Council have worked collaboratively with all parties to ensure the operation is safe.
- Asbestos Awareness training is carried out within teams at Council. There has been a national campaign relating to asbestos awareness following the Christchurch earthquake.

MOVED by Cr Stoltz, seconded by Cr Wharehinga

That the Audit & Risk/Ārai Tūraru me te Tātari Kaute Committee:

1. Notes the contents of this report.

CARRIED

12. Public Excluded Business

Secretarial Note: These Minutes include a public excluded section. They have been separated for receipt in Section 12 Public Excluded Business of Council.

13. REDMITTANCE OF THE PUBLIC

MOVED by Cr Stoltz, seconded by Cr Wharehinga

That the Council re-admits the public.

CARRIED

14. Close of Meeting

There being no further business the meeting concluded at 12.48pm

Bruce Robertson
INDEPENDENT CHAIR