

HUTT CITY COUNCILAUDIT AND RISK SUBCOMMITTEE

Minutes of a meeting held in the Council Chambers, 2nd Floor, 30 Laings Road,
Lower Hutt on

Thursday 17 September 2020 commencing at 2.00pm

PRESENT: Suzanne Tindal (Chair) Mayor C Barry (Deputy Chair)
Cr C Milne Cr J Briggs
Cr N Shaw Cr A Mitchell

APOLOGY: Cr D Bassett

IN ATTENDANCE: Ms J Miller, Chief Executive
Mr M Boggs, Director Strategy & Engagement
Ms A Blackshaw, Director Neighbourhoods & Communities
Ms H Oram, Director Environment & Sustainability
Ms A Welanyk, Director Transformation & Resources
Mr K Puketapu-Dentice, Director Economy & Development
Ms J Livschitz, Chief Financial Officer
Mr B Cato, Chief Legal Officer (part meeting)
Mr L Allot, Chief Digital Officer (part meeting)
Mr D Newth, Financial Accounting Manager
Mr S George, Senior Accountant (part meeting)
Ms E Davids, Risk and Assurance Manager
Mr S Keatley, Strategic Assets & Projects Manager
Mr M Sherwood, Head of Parks & Recreation (part meeting)
Mr G Stuart, Head of Regulatory Services & Emergency
Management (part meeting)
Mr D Kerite, Head of Environmental Consents (part meeting)
Ms C Ellis, Senior Communications Advisor (part meeting)
Ms A Laban, Acting Facilities Manager (part meeting)
Mr A Clark, Audit Director, Audit NZ
Mr J Strahl, Chair, Hutt City Communities Facilities Trust
Mr A McLellan, Chief Executive, Seaview Marina Limited
Ms H Clegg, Minute Taker
Ms T Lealofi, Democracy Advisor

PUBLIC BUSINESS

The Chair, Ms Tindall introduced herself to the meeting.

1. **APOLOGIES**

RESOLVED: (Ms Tindal/Cr Mitchell)

Minute No. ARSC 20501

"That the apology received from Cr Bassett be accepted and leave of absence be granted."

2. PUBLIC COMMENT

Comments are recorded under the item to which they relate.

3. CONFLICT OF INTEREST DECLARATIONS

Cr Shaw declared a conflict of interest in relation to Item 5: External Audit Update - The Hutt City Community Facilities Trust. She advised that she was Council's Representative on the Board of the Trust and took no part in discussion or voting on the matter.

Cr Milne declared a conflict of interest in relation to Item 6: External Audit Update - Seaview Marina Limited. He advised that he was Council's representative on the Board and took no part in discussion or voting on the matter.

4. **EXTERNAL AUDIT UPDATE - HUTT CITY COUNCIL** (20/790)

Report No. ARSC2020/5/202 by the Chief Financial Officer

The Chief Financial Officer elaborated on the report. She advised good progress had been made in addressing historic Audit NZ recommendations. She said eight recommendations had been closed out and a further six recommendations were expected to be closed out by the end of the audit process. She added three recommendations would remain outstanding.

With regards to the Audit Plans, the Chief Financial Officer advised the government had extended the deadline for these to the end of December 2020, and that the finalised Plans would be presented to the 8 December full council meeting.

The Chief Financial Officer advised the Long Term Plan (LTP) Amendment was about to be audited, and that Audit NZ was planning to begin auditing the LTP work in January/February 2021.

Mr Andrew Clark, Audit Director of Audit NZ, commended Council on the appointment of an Independent Chair to the Subcommittee. He advised that he was required to rotate off the Council's audit at the completion of this maximum term and that Mr Stephen Usher, Audit Director from Audit NZ would be going forward.

With regards to the Audit Plans, Mr Clark advised an area of focus would be the Covid-19 responses and ensuring that any risks identified were being assessed appropriately. He anticipated there may be minor modifications made to each Audit Plan in this regard. He explained that central government had extended the deadline for Audits due to the Covid-19 situation that had resulted in more work having to be done.

Mr Clark advised the Interim Management Report for Council was prepared pre-Covid-19. He added that the LTP Amendment consultation document was fit for purpose and met legislative requirements.

Mr Clark advised that Audit NZ had concerns with the Wellington Water Ltd non-financial performance measures, and that more details would be provided as the assessment progressed.

In response to a question from a member regarding the outstanding Audit recommendations, the Chief Digital Officer advised the IT Disaster Recovery Plan was a work in progress and that as a result of other technological advances, the Recovery Plan was being altered to reflect this. He assured members a complete backup could occur in a few days and that work was underway to shorten this to a matter of hours.

RESOLVED: (Ms Tindal/Cr Briggs)

Minute No. ARSC 20502

"That the Subcommittee:

- (i) notes the agreed Audit New Zealand audit plan for the Group Annual Report for the year ended 30 June 2020, attached as Appendix 1 to the report;*
- (ii) notes Audit New Zealand's interim management report for the year ended 30 June 2020, attached as Appendix 2 to the report;*

- (iii) notes the progress achieved in addressing the audit recommendations;*
- (iv) notes Audit New Zealand's management report for the Long Term Plan 2018-2028; and*
- (v) notes Audit New Zealand's management report for the Long Term Plan amendment for the Waste Services Review."*

5. **EXTERNAL AUDIT UPDATE - THE HUTT CITY COMMUNITY FACILITIES TRUST**
(20/898)

Report No. ARSC2020/5/189 by the Senior Management Accountant

Cr Shaw declared a conflict of interest and took no part in discussion or voting on the matter.

Mr John Strahl, Chair, Hutt City Community Facilities Trust was present for the item.

The Financial Accounting Manager elaborated on the report. He explained that the Audit Plan was already with the Auditors. He added that progress had been made with Audit NZ's recommendations and all should be closed off in due course.

Mr Clark advised Audit NZ would continue to monitor the concern assumption and that initial assessment concerning disclosure indicated some aspects might require alteration. He said that the assessment was continuing.

RESOLVED: (Ms Tindal/Mayor Barry)

Minute No. ARSC 20503

"That the Subcommittee:

- (i) notes the agreed audit plan from Audit New Zealand, attached as Appendix 1 to the report; and*
- (ii) notes the progress achieved in addressing the audit recommendations."*

6. **EXTERNAL AUDIT UPDATE - SEAVIEW MARINA LIMITED (20/899)**

Report No. ARSC2020/5/190 by the Senior Management Accountant

Cr Milne declared a conflict of interest and took no part in discussion or voting on the matter.

Mr Alan McLellan, Chief Executive, Seaview Marina Ltd was present for the item.

The Financial Accounting Manager elaborated on the report. He highlighted the impact of the Covid-19 situation. He advised the pre-tax information was with the auditors and that Pricewaterhouse Coopers was currently reviewing all tax workings which would then be incorporated into the final report. He expected most audit issues to be closed out.

Mr Clarke advised there were no issues of concern that he was aware of.

RESOLVED: (Ms Tindal/Mayor Barry)

Minute No. ARSC 20504

"That the Subcommittee:

- (i) notes the agreed audit plan from Audit New Zealand, attached as Appendix 1 to the report; and*
- (ii) notes the progress achieved in addressing the audit recommendations attached as Appendix 2 to the report."*

7. **EXTERNAL AUDIT UPDATE - URBAN PLUS LIMITED (PARENT AND GROUP) (20/933)**

Report No. ARSC2020/5/191 by the Senior Accountant

The Financial Accounting Manager elaborated on the report. He advised there would be two outstanding audit recommendations as detailed in the officer's report.

Mr Clarke advised the audit was scheduled for completion in early November 2020 with no issues of note.

RESOLVED: (Ms Tindal/Cr Briggs)

Minute No. ARSC 20505

"That the Subcommittee:

- (i) notes the agreed audit plan from Audit New Zealand, attached as Appendix 1 to the report; and*
- (ii) notes the progress achieved in addressing the audit recommendations, attached as Appendix 2 to the report."*

8. NAENAE POOL AND SPATIAL PLAN (20/864)

Report No. ARSC2020/5/99 by the Strategic Assets & Project Manager

Speaking under public comment, **Ms Lyn Bareta** thanked members for listening to the voice of the people of Naenae and acknowledged the opportunities the public had to engage in the matter. She maintained continued dialogue was important and she appreciated the reasoning for aligning the Naenae Pool project with the Spatial Plan. She cautioned against a lack of action occurring due to the amount of public consultation. She said the public wanted to see construction of the Naenae Pool commence within the promised timeframe. She urged Council to be bold and forward thinking when redesigning the Naenae commercial centre.

Under public comment, Cr Mitchell read out a written statement, attached as page 14 of the minutes, from **Ms Kerri Graham, from Naenae Boxing Academy**.

The Director Neighbourhoods and Communities elaborated on the report. She explained that any delays to date were attributed to the Covid-19 situation. She said that bringing the two projects together had not altered the projected completion timeframes. She noted elected members had been briefed on progress to date at a open briefing on 16 September 2020 and that another update would occur in October 2020.

In response to a question from a member concerning the public's confusion regarding the various public consultation exercises, the Director Neighbourhoods and Communities advised measures were in place to explain the processes. She highlighted that final public consultation was due to start which would cover both the design of the pool and to finish the Spatial Plan master plan. She added it would be a brief and meaningful engagement.

In response to a question from a member regarding whether the operating plan for the Naenae pool had been included within the project, the Director Neighbourhoods and Communities confirmed it was and that more detail would be available in the report for the additional Subcommittee's meeting in October. She added that the design of the Naenae pool would occur over the next six months and would include an operating model. She further added discussions had commenced with potential contractors.

In response to further questions from a member, the Director Neighbourhoods and Communities advised the officer's report contained the three high level risks and that a more detailed risk register would be provided at the next meeting.

The Chief Executive advised that officers anticipated there would be no change to the operating costs of the new Naenae pool. She said that if savings could be made using different construction innovations they would be taken advantage of to help reduce overall operating costs. She added that members would continue to be updated on the project.

In response to a question from a member regarding options for generation of non-pool related revenue, the Strategic Assets & Project Manager advised the current pool model utilised gym and Learn to Swim revenue. He acknowledged there

were opportunities to improve these links with this project. The Director Neighbourhoods and Communities added that officers were also assessing how to ensure positive social outcomes as well as financial ones.

In response to a question from a member regarding the identified risk concerning central government funding for the project, the Director Neighbourhoods and Communities advised these were still being assessed and that more information would be provided at the next Subcommittee meeting.

The Chair requested the report for the next Subcommittee meeting include advice from Audit NZ concerning best use of public funds and information obtained from other Councils throughout New Zealand who had completed similar projects.

RESOLVED: (Ms Tindal/Cr Shaw)

Minute No. ARSC 20506

“That the Subcommittee:

- (i) receives and notes the information contained in the report;*
- (ii) notes that officers are bringing the Naenae Pool and spatial plan projects together and revisiting the approach to the combined project; and*
- (iii) notes that a project status update will be considered at an additional ordinary meeting of the subcommittee in October 2020. “*

9. **RIVERLINK UPDATE** (20/997)

Report No. ARSC2020/5/192 by the Director Economy and Development

The Director Economy and Development elaborated on the report. He noted delays associated with the project were interconnected with the redesign of the Hutt River, which was a Greater Wellington Regional Council component. He added that Council and the New Zealand Transport Agency components were totally dependent on the design of the Hutt River. He added that the delays had been brought to the attention of the Riverlink Board, as an area of high risk.

In response to questions from a member, the Director Economy and Development explained that the 2017 preliminary design had assumed a particular design for the river. He said that with technological advances and climate change factors being taken into account, that design needed to be changed with a recalibration of the modelling. He added that further delays could not be ruled out due to 3D modelling proposed to be undertaken.

In response to a question from a member, the Director Economy and Development advised the redesign of the Hutt River could have significant implications for Council, as it may result in more land or buildings having to be acquired or roads to be stopped.

RESOLVED: (Ms Tindal/Mayor Barry)

Minute No. ARSC 20507

"That the Subcommittee receives and notes the information contained in the report."

10. **LOWER HUTT EVENTS CENTRE & HOTEL** (20/972)

Report No. ARSC2020/5/193 by the Head of City Growth

The Head of City Growth elaborated on the report. He explained there were several ongoing issues which were subject to continuing discussions with the operator. He added the preliminary estimated loss for the year, requiring underwriting by Council, had increased to \$685,000 and was subject to investigation and audit.

In response to a question from a member, the Head of City Growth agreed to report back to all members with details concerning how the credits, as a result of Covid-19 related cancellations at the Events Centre, were accounted for.

In response to a question from a member, the Head of City Growth advised the final draft accounts would be delivered to the auditors next month and included advice concerning the reasons for the requested increase in underwriting amount to be given. He added preliminary discussions indicated the increase was due to holiday pay accruals. He noted there were consultancy costs included in documentation received from the operator.

The Chief Financial Officer advised the higher estimate amount of the underwrite had been included in the financial statements and was awaiting final confirmation.

Cr Milne requested assurance that the Covid-19 situation had been properly managed by the operators, including management of the enforced staff leave during the lockdown. He cautioned against ratepayers having to fund accrued leave.

The Chair requested clarification of the holiday pay issue, including compliance with the Holidays Act. She also requested that members received a breakdown of the extra costs for the underwriting, including details of why the holiday pay accruals had occurred.

The Chief Executive advised members that the agreement between Council and the Events Centre required Council to underwrite costs up to 30 June 2020. She added this would not occur until a full audit had been conducted and that members would be updated with details in due course.

The Chair noted the process could be improved.

RESOLVED: (Ms Tindal/Cr Briggs)

Minute No. ARSC 20508

"That the Subcommittee notes and receives the report."

11. **MANAGING COVID-19 RISKS, INCLUDING BUSINESS CONTINUITY** (20/968)

Report No. ARSC2020/5/194 by the Risk and Assurance Manager

The Director Neighbourhoods and Communities elaborated on the report. She advised a key note was the establishment of a regional leadership group to manage regional Covid-19 responses. She noted that the Chief Executive was a member.

In response to a question from a member regarding mask use, the Director Neighbourhoods and Communities advised officers were following national guidelines and were wearing masks in situations where social distancing was not possible. She added staff with pre-existing medical conditions were being managed, as were staff who were not comfortable wearing a mask. She further added that screens had been installed at all public interface counters and that the situation was being constantly monitored.

Cr Briggs acknowledged the Chief Executive and officers for the comprehensive detailed response to Covid-19.

RESOLVED: (Ms Tindal/Cr Briggs)

Minute No. ARSC 20509

"That the Subcommittee receives and notes the information contained in the report."

For the reason that this update provides the Subcommittee with information to support its governance and oversight role.

12. **RISK MANAGEMENT UPDATE** (20/969)

Report No. ARSC2020/5/195 by the Risk and Assurance Manager

The Risk and Assurance Manager elaborated on the report. She said the Risk Management Framework was currently under review to update criteria, tolerances and risk appetite. She added that Covid-19 had resulted in a changed landscape for normal Council operations.

RESOLVED: (Ms Tindal/Cr Mitchell)

Minute No. ARSC 20510

"That the Subcommittee:

- (i) receives and notes the information contained in this report; and*
- (ii) notes the risk register as approved by the Corporate Leadership Team, attached as Appendix 1 to the report."*

For the reason that risk reporting provides the Subcommittee with information to support its governance role.

13. **INTERNAL AUDIT UPDATE** (20/970)

Report No. ARSC2020/5/196 by the Risk and Assurance Manager

The Risk and Assurance Manager elaborated on the report. She explained it included details concerning the interim Audit Plan and that attention was being given to areas that mattered the most. She advised a full update would be available for the next Subcommittee meeting.

RESOLVED: (Ms Tindal/Cr Mitchell)

Minute No. ARSC 20511

"That the Subcommittee receives and notes the information contained in the report."

For the reasons that it provides the Subcommittee with information to support its governance role. Periodic reporting is stipulated in the internal audit charter and the internal audit functional reporting line to the Audit and Risk Subcommittee that supports its authority, objectivity and independence.

14. **END OF FINANCIAL YEAR REPORT BACK ON THE MAYOR'S DONATIONS AND GRANTS** (20/990)

Report No. ARSC2020/5/203 by the Head of the Mayor's Office.

The Head of the Mayor's Office elaborated on the report.

In response to a question from a member regarding how the Mayor's salary sacrifice monies were accounted for, the Head of the Mayor's Office advised these monies were donated to food charities, as reported on Council's website. He said the Mayor also made other personal donations. He added he would circulate details to all members.

Mayor Barry confirmed his salary sacrifice monies were donated directly to charities and that he had received a pay reduction as per the Remuneration Authority Determination.

The Chief Executive advised she had taken a 10% reduction in salary until 30 June 2021 and that the monies had been donated to the Foodbank. She added she had subsequently received a salary rise, which she had also donated to the Foodbank. She confirmed the details were published on Council's website.

Cr Briggs thanked officers for the level of transparency with the funds and for making improvements to the system.

RESOLVED: (Ms Tindal/Cr Briggs)

Minute No. ARSC 20512

"That the Subcommittee receives and notes the report."

15. **SEISMIC PERFORMANCE REGISTER** (20/476)

Report No. ARSC2020/5/198 by the Senior Advisor to the Chief Executive

The Senior Advisor to the Chief Executive elaborated on the report. She requested guidance as to how frequently members would like reporting on the matter.

In response to a question from a member regarding the status of the Little Theatre, the Acting Facilities Manager advised work was commencing on Monday 21 September 2020 with a projected six week timeframe.

In response to a question from a member, the Senior Advisor to the Chief Executive advised the most recent seismic information for each Council-owned building was available on Council's website, along with the current seismic rating and grade.

In response to a question from a member regarding the status of the War Memorial Library, the Acting Facilities Manager advised work completed in 2004 strengthened one half of the structural beams of the building. She said the remainder of the beams required strengthening.

Mayor Barry thanked all officers for their work on this issue, adding that the transparency was welcomed.

RESOLVED: (Mayor Barry/Cr Milne)

Minute No. ARSC 20513

(i) that the Subcommittee receives and notes the information contained in the report; and

(ii) asks officers to report back to the Subcommittee every 6 month unless a matter arose that required immediate reporting."

16. **AUDIT AND RISK WORK PROGRAMME 2020** (20/947)

Report No. ARSC2020/5/96 by the Committee Advisor

In response to a question from a member, the Chair advised that further reporting was necessary. She added that risk management was a journey that never ended, and that from time to time situations might arise where a deep dive into a particular issue was required. She commended officers on a good framework.

In response to a question from a member, the Chair advised more information concerning the Naenae Pool and Spatial Plan would be available at the proposed additional October Subcommittee meeting.

RESOLVED: (Ms Tindal/Cr Mitchell)

Minute No. ARSC 20514

"That the Work Programme be noted and received."

17. ADDITIONAL ITEM**RESOLVED:** (Ms Tindal/Cr Mitchell)**Minute No. ARSC 20515**

“That the Audit and Risk Subcommittee agrees to hold an additional ordinary meeting on 21 October 2020 commencing at 2pm in the Hutt City Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt for the purpose of considering the project status update on the Naenae and Spatial Plan.”

18. QUESTIONS

There were no questions.

There being no further business the Chair declared the meeting closed at 3.16pm.

S Tindal
CHAIR

**CONFIRMED as a true and correct record
Dated this 29th day of September 2020.**



Naenae Boxing Academy

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17th September 2020

Naenae Spatial Planning submission

1. Healthy Community is built on Healthy Relationships that involve Everyone interacting in Healthy Environments; regardless of socio economic group, culture, age and gender.

The Community is not just those who can afford and feel comfortable patronising the Trade School Kitchen (for the record, one of the best additions to Naenae in a long time).

The Naenae Community Centre needs to provide this Environment.

2. We need to make sure all groups are given the opportunity to be consulted.

The Naenae Youth Charitable Trust has a particular heart for young people and their whanau, many of whom are not Trade School Kitchen patrons.

Therefore we are happy to provide our Naenae Boxing Academy premises for a Community / Council consultation space and our manager will gladly organise our NBA whanau plus other community stakeholders to attend.

3. We need to provide activities for all community groups within the Naenae Community Centre, free of charge, so that e.g. those mums who have no money but lots of children can happily bring their children to the Centre, and feel part of the Community.

If the Naenae Pool does end up where the Community Hall is currently then the basketball court could move to where the pool is (at the Vogel St end of Walter Mildenhall Park).

People could then play basketball together as community and be the 'community buzz' they want to be part of. A playground would also be a good addition to that end of the Park. This would keep the green space. Trees need to stay!

If our planning is fundamentally about the people in Naenae; building Relationships to build Community, Naenae and Hutt City will be a leader in Community Development. And all our people will benefit.

Thank you for your consideration.
Kerri Graham