

HUTT CITY COUNCILKOMITI ITI AHUMONI I TŪRARU | AUDIT AND RISK SUBCOMMITTEE

Minutes of a meeting held via Zoom on
Tuesday 15 February 2022 commencing at 2.00pm

PRESENT: Ms S Tindal (Independent Chair) Mayor C Barry (Deputy Chair)
 Cr J Briggs Cr S Edwards
 Cr A Mitchell Cr S Rasheed
 Cr N Shaw

APOLOGIES: There were no apologies.

IN ATTENDANCE: Ms J Miller, Chief Executive
 Ms A Blackshaw, Director Neighbourhoods and Communities
 Ms H Oram, Director Environment and Sustainability
 Mr K Puketapu-Dentice, Director Economy and Development (part meeting)
 Ms J Livschitz, Group Chief Financial Officer
 Mr B Cato, Chief Legal Officer
 Ms C Ellis, Head of the Chief Executive's Office
 Ms S Page, Senior Management Accountant (part meeting)
 Mr B Wu, Financial Accounting Manager
 Mr S George, Senior Accountant (part meeting)
 Mr D Newth, Financial Accounting Manager (part meeting)
 Ms A Leong, Finance Project Manager
 Ms N Reddy, Risk and Assurance Manager – Finance
 Mr L Allott, Chief Digital Officer (part meeting)
 Ms L Siriwardena, Legal Coordinator (part meeting)
 Ms K Alkema, Chief People Officer (part meeting)
 Ms K Shaw, Health, Safety and Wellbeing Manager (part meeting)
 Mr A Quinn, Project Manager (Naenae)
 Ms K Glanville, Senior Democracy Advisor
 Mrs Heather Clegg, Minute Taker

PUBLIC BUSINESS1. APOLOGIES

There were no apologies.

2. PUBLIC COMMENT

Comments are recorded under the item to which they relate.

3. CONFLICT OF INTEREST DECLARATIONS

There were no conflict of interest declarations.

MINOR ITEM NOT ON THE AGENDA - COVID-19 UPDATE FROM THE CHIEF EXECUTIVE

In accordance with Standing Order 10.13, a COVID-19 update from the Chief Executive was added as a minor item not on the agenda.

The Chief Executive spoke to her statement attached as pages 11 – 12 to the minutes.

4. EXTERNAL AUDIT UPDATE - HUTT CITY COMMUNITY FACILITIES TRUST (22/128)

Report No. ARSC2022/1/5 by the Senior Management Accountant

Mr Andrew Clark, Audit Director, Audit New Zealand was in attendance for the item.

The Group Chief Financial Officer elaborated on the report. She said that PricewaterhouseCoopers had been contracted to provide advice during the complex Hutt City Community Facilities Trust wind up process.

Mr Clarke advised that Audit New Zealand was comfortable with the complex accounting treatments and the process of valuing the facilities to be transferred to Council. He added that the value of the facilities would need to be incorporated into Council's Annual Report going forward.

RESOLVED: (Ms Tindal/Cr Briggs)

Minute No. ARSC 22101

"That the Subcommittee:

- (1) notes the findings from the 2020/21 audit of the Hutt City Communities Facilities Trust (the Trust) attached as Appendix 1 to the report; and*
- (2) notes the windup of the Trust took effect on 30 June 2021 and that there will be no further audits."*

5. **EXTERNAL AUDIT UPDATE - SEAVIEW MARINA LIMITED** (22/117)

Report No. ARSC2022/1/6 by the Senior Management Accountant

Mr Tim Lidgard, Chief Executive of Seaview Marina Limited (SML) and Mr Andrew Clark, Audit Director, Audit New Zealand were in attendance for the item.

The Group Chief Financial Officer elaborated on the report. She said that good progress was being made to close out all the audit recommendations. She added that one recommendation required further work.

Mr Clarke advised there were no significant matters to raise.

Mr Lidgard advised SML had initiated a bi-annual survey to assist in gathering public opinion and wishes for the future operations of the marina.

The Chair commended the SML Board for initiating the survey and congratulated the team on the work undertaken to date.

RESOLVED: (Ms Tindal/Cr Edwards)

Minute No. ARSC 22102

"That the Subcommittee notes the progress achieved in addressing the audit recommendations for Seaview Marina Limited attached as Appendix 1 to the report."

6. **EXTERNAL AUDIT UPDATE - URBAN PLUS LIMITED (PARENT AND GROUP)**
(22/116)

Report No. ARSC2022/1/7 by the Senior Accountant

Mr Daniel Moriarty, Chief Executive of Urban Plus Limited (UPL) and Mr Andrew Clark, Audit Director, Audit New Zealand were in attendance for the item.

The Senior Financial Accountant elaborated on the report. He advised good progress was being made towards addressing the audit recommendations. He said a report would be presented to the next meeting regarding the review of the Sensitive Expenditure Policy. He noted a full revaluation of all assets had occurred during the year.

Mr Clarke advised it was important to keep the valuation of the residential properties up-to-date especially in the current real estate market. He suggested Council officers commence the reassessment of these properties as soon as possible. He explained that if significant changes in valuation were observed, a formal qualified valuation process would be required.

The Chair thanked officers involved for their work.

In response to questions from a member, Mr Clarke explained that if significant changes in the property valuations were found, a registered valuer would need to carry out a formal revaluation. He noted this would require adjustments to all accounts.

RESOLVED: (Ms Tindal/Cr Briggs)

Minute No. ARSC 22103

"That the Subcommittee notes the progress achieved in addressing the audit recommendations for the Urban Plus Limited group attached as Appendices 1, 2 and 3 to the report."

7. **EXTERNAL AUDIT UPDATE - HUTT CITY COUNCIL** (22/115)

Report No. ARSC2022/1/8 by the Financial Accounting Manager

Mr Andrew Clark, Audit Director, Audit New Zealand was in attendance for the item.

The Group Chief Financial Officer elaborated on the report. She advised good progress had been made on the audit recommendations, noting that there were two outstanding items relating to Wellington Water Limited (WWL). She confirmed that the two new audit recommendations relating to the Information Technology (IT) audit would be addressed in the next period.

Mr Clarke explained the qualified audit opinion relating to WWL concerned the water loss performance measure and that the company did not have enough water meters within the system to adequately measure water loss. He added there was concern regarding how the company measured complaints. He noted the impact of COVID-19 and central government's decisions concerning the Three Waters reform were mentioned in the report. He noted these combined to produce uncertainty in the sector.

Mr Clarke acknowledged Council's revaluation processes. He advised that due to the current market volatility, officers should begin reassessing all plant and equipment valuations as soon as possible, noting this would enable any significant changes to be dealt with appropriately and in good time. He regarded the recommendations relating to the IT audit as being "good housekeeping" recommendations.

The Chair and Mr Clarke thanked officers involved in the audit process.

In response to further questions from a member, Mr Clarke advised the performance reporting measures of WWL had not been met for a number of years. The Group Chief Financial Officer added that the recommendation relating to water loss would not be able to be resolved until there were more water meters within the system. She added the recommendation relating to the measuring of complaints should be resolvable, and that Council officers were working with WWL officers to find a solution.

The Chair foreshadowed her intention to move an additional recommendation asking officers to provide guidance and assistance to WWL to resolve the potential for a modified opinion again being issued on Council's water activities.

RESOLVED: (Ms Tindal/Cr Shaw)

Minute No. ARSC 22104

"That the Subcommittee:

- (1) *notes Audit New Zealand's management report on the audit of the Hutt City Council Group Annual Report 2020/21, attached as Appendix 1 to the report; and*
- (2) *asks officers to provide guidance and assistance to their colleagues at Wellington Water Limited to ensure satisfactory performance measures and reporting can be implemented and tested in the 2022 financial year audit process to resolve the potential for a modified opinion again being issued on Council's water activities."*

8. **SENSITIVE EXPENDITURE DISCLOSURES** (22/104)

Report No. ARSC2022/1/17 by the Financial Accounting Manager

The Financial Accounting Manager elaborated on the report.

RESOLVED: (Ms Tindal/Cr Mitchell)

Minute No. ARSC 22105

"That the Subcommittee:

- (1) receives and notes the report; and*
- (2) notes the Sensitive Expenditure disclosure information attached as Appendix 1: Summary of Sensitive Expenditure 1 October 2021 to 31 December 2021 to the report."*

9. **HOLIDAYS ACT COMPLIANCE** (22/73)

Report No. ARSC2022/1/9 by the Finance Project Manager

The Finance Project Manager elaborated on the report. She said that phase one of the project 'Remediation Calculations' would be completed within the next two months. She added that any 'Remediation Payments' (phase two of the project) due to staff would be paid before the end of the 2021/2022 financial year. She noted a new payroll system would be operational by the end of 2022.

In response to questions from members, the Finance Project Manager confirmed contact information for former employees was on record. She acknowledged that some of the contact information would be out of date. She agreed that other methods of contacting former employees would be investigated.

The Chair advised other methods used to contact people could be a notice placed in newspapers and on Council's website.

In response to further questions from members, the Group Chief Financial Officer confirmed that \$2.5M in funding for remediation payments had been allocated in the budget for this financial year. She added that the proposed budget for the next financial year included provision for the new payroll system.

The Chair noted that any unclaimed funds from the process would become subject to the Unclaimed Money Act 1971 and would be held by the Inland Revenue Department.

RESOLVED: (Ms Tindal/Cr Shaw)

Minute No. ARSC 22106

"That the Subcommittee notes and receives the report."

10. **RISK MANAGEMENT UPDATE** (22/126)

Report No. ARSC2022/1/11 by the Risk and Assurance Manager - Finance

Ms Cecilia Tse, External Consultant was in attendance for the item.

The Chief Executive provided a verbal update regarding the recent International Accreditation New Zealand (IANZ) audit for Council's building consent accreditation. She advised the audit report highlighted a number of non-compliances. She stressed that IANZ did not have any concerns with the technical aspects, the quality of decision-making of Council as a building consent authority.

The Chief Executive advised councils throughout New Zealand were facing a similar situation. She said in order to retain the accreditation, several items needed to be resolved. She further advised IANZ had requested an Improvement Plan be completed by 11 March 2022 and to facilitate this, she had commissioned the services of Hei Taituarā who had extensive expertise in this area. She noted IANZ needed to be assured that processes and quality assurance procedures would enable full compliance to be met. She noted the Improvement Plan would be audited and Council would be reinspected in August 2022.

The Chief Executive undertook to provide a full written report on the situation to the next meeting. She noted the Risk Register would need to be updated to reflect this new risk.

Ms Tindal she worked had professionally with two practitioners from Hei Taituarā.

In response to a question from a member, the Chief Executive advised the required website updates had already been actioned. She said the audit had served as a timely reminder to constantly review systems and procedures within the organisation.

The Risk and Assurance Manager – Finance elaborated on the report. She explained that 'COVID-19' had been added as an item to the Risk Register and the 'Relationship with Mana Whenua' item had been removed. She noted risks were constantly being monitored.

Ms Tse advised that Council was continuing to make good progress with its risk management. She recommended that senior management undertake a 'deep dive' into high rated risk areas, to assess the drivers of the risk and to identify mitigation measures. She confirmed the Risk Register would be updated for the next quarterly report to reflect the IANZ audit report on the building consent accreditation.

The Chair supported the 'deep dive' initiative and asked members to provide their preference for risks to be subjected to a 'deep dive' process.

In response to questions from members, the Risk and Assurance Manager – Finance advised that although the Relationship with Mana Whenua item had been removed from the Risk Register, the situation was being closely monitored. She acknowledged concerns raised by the Chair and member of the District Plan Review Subcommittee about

maintaining input from the Subcommittee's Māori representative due to workload issues.

The Chief Executive advised that the removal of the 'Relationship with Mana Whenua' item from the Risk Register had been supported by Council's Kaitatari Tumuaki Māori, whose team was now fully staffed. She confirmed the item would be constantly reviewed.

In response to further questions from a member, the Chief Executive advised there were no financial penalties applicable if building consents were not processed within the statutory timeframe. She added Council's Building Consent Division should support the development of the city. She said that with the increase in the volume of consents, the complexity of many consents and staff resourcing issues, issuing consents within the required timeframe was sometimes not possible.

The Director Environment and Sustainability advised there would be financial implications if Council could not resolve non-compliance matters identified by IANZ.

RESOLVED: (Ms Tindal/Cr Rasheed) **Minute No. ARSC 22107**

"That the Subcommittee:

- (1) notes and receives the information contained in the report; and*
- (2) notes the Top Risk Register attached as Appendix 1 to the report."*

11. **COMPLYWITH** (22/21)

Report No. ARSC2022/1/12 by the Legal Co-ordinator

The Chair commended Council for implementing the ComplyWith process. She said ComplyWith served as a good internal audit tool.

The Chief Legal Officer elaborated on the report. He said that Council was responsible for complying with 109 different Acts of Parliament and that ComplyWith would assist with ensuring there was compliance across the organisation.

In response to questions from members, the Chief Legal Officer advised the intention of utilising ComplyWith was to upskill officers to ensure compliance with all relevant Acts. He anticipated that the generic 'Legal Consideration' heading on all Council/Committee reports would contain more comprehensive information. He noted Council's Legal team was now fully resourced and could provide assistance throughout the organisation. He further advised the four issues highlighted in paragraph 11 of the report related to a technical lack of compliance with information standards. He agreed to report back with details on these four identified issues.

RESOLVED: (Ms Tindal/Cr Edwards) **Minute No. ARSC 22108**

"That the Subcommittee receives and notes the contents of the report, which details the ComplyWith legal compliance survey and the key results of it."

12. INFORMATION ITEMS

a) Naenae Pool and Fitness Centre - progress update (22/30)

Memorandum dated 18 January 2022 by the Project Manager (Naenae)

The Project Manager (Naenae) elaborated on the report. He advised that the previous pool had been soundly constructed and issues had been encountered with demolition of the substructure. He anticipated these would not impact the overall schedule of the project. He confirmed construction was on schedule to commence on 1 July 2022, subject to the resource consent process.

The Project Manager (Naenae) advised he was 90% certain the \$68M budget would be met and that the Risk Register for the project was currently being reviewed.

In response to questions from members, the Project Manager (Naenae) advised soil samples taken from an area adjacent to the site had been analysed and found to have traces of heavy metals. He confirmed once demolition was completed, soil samples would be taken within the site. He said a level of contingency was included in the budget. He further confirmed that good management was in place to manage material supply chain issues.

RESOLVED: (Cr Edwards/Cr Rasheed) **Minute No. ARSC 22109**

"That the Subcommittee notes and receives the memorandum."

b) Audit and Risk Subcommittee Work Programme (22/45)

Report No. ARSC2022/1/16 by the Democracy Advisor

The Chair asked that the work programme be updated to reflect the report regarding the building consent accreditation audit.

RESOLVED: (Cr Rasheed/Cr Briggs) **Minute No. ARSC 22110**

"That the work programme be received and noted."

13. QUESTIONS

There were no questions.

There being no further business the Chair declared the meeting closed at 3.33 pm.

S Tindal
CHAIR

**CONFIRMED as a true and correct record
Dated this 23rd day of March 2022**

15 February 2022

Kia ora Chair and members of the Audit and Risk Committee, we are at the early stages of the Omicron outbreak and we are supporting the health effort to keep our community safe.

As at today, we have 59 active Covid-19 cases in the Hutt Valley which is higher than other parts of the Wellington region. This number has increased quickly over the past few days. We are currently in the red traffic light and as of this evening at 11.59pm the country moves to Phase 2 of the Omicron plan which has different rules in place for people self-isolating who test positive for Covid and the introduction of Rapid Antigen Tests (RATs). At this phase there is more of a focus on living with Covid in the community, and businesses and organisations managing their own risk.

I would note that not all exposure events become locations of interest as occurred recently with Wainuiomata Summer Pool which was closed for two days. In this situation an assessment was undertaken by health officials and deemed low risk because the pool is outdoors.

Over the past few weeks we have stepped up our work assisting setting up testing stations and managing traffic as demand increases. Teams are working with MSD and local food providers via the kai collective on the welfare response especially for those families who are isolating at home (of which there were 60 as of yesterday across the Wellington region) and ensuring our front-line staff are well-supported. Our communication channels are supporting the health response.

I am acutely aware that as cases increase, our own workforce is likely to be impacted and our resources will be stretched. As today's risk report notes "If our planning and response to the ongoing COVID - 19 pandemic is not adequate, then continuing service delivery, and our capital investment programme delivery will be at risk with potential consequences of cost escalations, service delivery failure and planned work delayed."

Business Continuity Planning has been happening at local, regional, and national levels, and has included looking at worst case scenarios, where our workforce is severely impacted, and our focus needs to shift to continuing to provide critical services. This includes Water (supply and waste), Waste collection and management (including the landfill, commercial and residential), Cemeteries and crematoriums, Road maintenance (critical work), Safety - Operation of Streetlights and Traffic lights, Environmental Health, Animal Services (welfare), and support for MOH/DHB/welfare groups.

Where there are not enough staff to open all of our facilities, we will shift to an operating model of four "anchor facilities" open with a regional spread – the War Memorial Library (distribution), Wainuiomata, Naenae and Walter Nash Centre (which will also be a self-service centre plus continuing our offerings of click and collect). Where we are able to, we will redirect staff to our contact centre and welfare roles.

Vaccination rates across the Hutt Valley are high. 95% of the eligible population has received two doses of the vaccine and 54% have received the booster. The majority of our staff are fully vaccinated, and most are required to be due to the nature of their roles. Of those staff in roles that have required vaccination, 8 staff have chosen not to be vaccinated. 5 staff from our customer facing teams were unable to be redeployed and we're working through processes with the remaining 3 people in other roles that require high stakeholder interaction. We continue to work closely with and provide support to staff through this process.

As at the latest 22 January 2022 financial results we are forecasting a \$0.9M drop in revenue. This is likely to drop further as facilities close or offer a limited service, and fewer people visit our pools, museums and libraries.

The achievability of our capex programme appears to be high risk, due to a range of factors including uncertainties due to COVID-19 impacts, particularly supply chain issues, and organisational capacity to deliver. We continue to work closely with suppliers and contractors on projects that are underway or planned. In light of current challenges, the Corporate Leadership Team is regularly reviewing our capex programme and any changes to timeframe, cost etc will be reported to members.

We are currently considering the workforce implications of signing up as a close contact exemption scheme. At this stage there will be a relatively small number of people in roles that this may apply to including emergency management roles. A number of our contractors will be applying to the scheme. We will be checking in with them as to their approach on this.

Yesterday I met with the Senior Leadership Group where we completed some scenario planning in small groups. This type of exercise is invaluable as we shift to living with COVID. Today we held a staff webinar that members and others were invited to on keeping well in the face of Omicron. This session focused on understanding the psychological impact of crises, uncertainty and change on human wellbeing. During the session there were effective wellbeing strategies shared, to support us through these times. This is one of a number of wellbeing initiatives we are offering to our staff.

I continue to be involved with regional Chief Executives and nationally with Taituarā on Covid planning. There are also regular meetings with the Ministry of Health, 2 DHB, local health providers and Iwi. A lessons learned session with the Lord Mayor of Melbourne provided an insight on how they are managing Omicron in the community. This will assist us with our preparation and resilience strategies.

I expect things to move quickly from here and I will let you know when there are significant changes that impact service delivery to our community or present a business risk to our community.

I am happy to answer any questions.

Ngā mihi nui

Jo Miller
Chief Executive