

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

Minutes of a meeting held in the via Zoom on
Tuesday 28 June 2022 commencing at 2.00pm

PRESENT: Ms S Tindal (Independent Mayor C Barry (Deputy Chair)
 (via audio-visual link) Chair)
 Cr J Briggs Cr S Edwards
 Cr A Mitchell Cr N Shaw

APOLOGIES: There were no apologies.

IN ATTENDANCE: Ms J Miller, Chief Executive
 (via audio-visual link) Ms A Blackshaw, Director Neighbourhoods and Communities
 Mr J Griffiths, Director of Strategy and Engagement
 Ms H Oram, Director Environment and Sustainability
 Mr K Puketapu-Dentice, Director Economy and Development
 Ms J Livschitz, Group Chief Financial Officer
 Mr B Wu, Financial Accounting Manager
 Ms A Leong, Finance Project Manager
 Mr N Reddy, Risk and Assurance Manager, Finance
 Mr J Kingsbury, Head of Transport
 Mr A Quinn, Project Manager (Naenae)
 Mr L Allott, Chief Digital Officer
 Mr C Meads, Head of the Mayor's Office
 Mr D Kerite, Head of Regulatory Services
 Ms K Glanville, Senior Democracy Advisor
 Ms K Davey, Democracy Advisor
 Ms H 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.

4. COVID-19 UPDATE

The Chief Executive provided an update on COVID-19 attached as page 11 to the minutes.

In response to questions from members, the Chief Executive confirmed the pattern of staff absences due to COVID-19 mirrored the situation in the community. She expected the “wave” trend of illness to continue. She added that staff were being encouraged to have the new booster vaccination and that the Covid Leave for front line services had supported the workforce. The Chief Executive advised that there were many reasons for the low visitor numbers to council facilities as people manage COVID-19 in their own ways.

In response to a question from a member, the Director Neighbourhoods and Communities confirmed that attendance levels at many council services was down as much as 45% on pre-COVID-19 levels. She added that as a result, officers were looking to start innovative, pro-active programmes to entice visitors back to facilities. She advised that pool visitor numbers were almost back to pre-COVID-19 levels. She said the digital and online services were very well used.

Members agreed this would be the final verbal COVID-19 update from the Chief Executive. In the future, such updates would be provided to the Communities Committee, the Policy, Finance and Strategy Committee, and as part of the Risk Management Update report to this Subcommittee.

5. EXTERNAL AUDIT UPDATE - HUTT CITY COUNCIL (22/1322)

Report No. ARSC2022/3/118 by the Financial Accounting Manager

Speaking under public comment, **Mr Max Shierlaw** expressed concern that the release of the draft financial statements was scheduled after the local body elections. He suggested officers lobby Audit New Zealand to ensure the release of financial statements before to September 2022. He noted that large companies (eg NZ Post) released it's financial statements by August of each year. He also suggested Council use private sector auditors.

The Chair advised that she was a board member of NZ Post, as stated in her interest register. She said that as NZ Post was a state-owned enterprise and a limited liability company it was required, by legislation, to release financial statements by 31 August each year. She further advised, that the Auditor General appointed auditors to each local authority in New Zealand and that individual authorities had no power to use an auditor of their own choosing. She further advised it was a legal requirement that the Chief Executive release a pre-election report, including financial information for the public before the local body elections.

Mr John Whittal, Audit Director from Audit New Zealand was in attendance for the matter. He advised Audit New Zealand had considered the officers' request for an early release of the financial statements. He said Audit New Zealand was not in a position to do so due to resource constraints.

The Group Chief Financial Officer elaborated on the report.

In response to questions from members, the Group Chief Financial Officer confirmed external advice had been sought about the complex issue of setting the rates and ensuring compliance with the relevant legislation. She added external advice was also used for specific projects. She confirmed a request for information about water loss data from the small area monitor system was referred to the appropriate officer.

RESOLVED: (Ms Tindal/Cr Briggs)

Minute No. ARSC 22301

"That the Subcommittee receives and notes the Audit New Zealand audit plan for the Group Annual Report for the year ended 30 June 2022, attached as Appendix 1 to the report."

6. SENSITIVE EXPENDITURE DISCLOSURES (22/1321)

Report No. ARSC2022/3/108 by the Financial Accounting Manager

The Financial Accounting Manager elaborated on the report.

In response to a question from a member, the Head of the Mayor's Office advised the Mayor's Office had a policy not to spend money on alcohol. He said no mayoral expenses were spent on alcohol this triennium. The Chair confirmed that she approved all the mayoral expenses and also confirmed she had not approved any expenses relating to buying alcohol.

RESOLVED: (Ms Tindal/Cr Mitchell)

Minute No. ARSC 22302

"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 01 January 2022 to 31 March 2022 to the report. "*

7. PAYROLL TAX COMPLIANCE EVALUATION UPDATE (22/1343)

Report No. ARSC2022/3/12 by the Finance Project Manager

The Finance Project Manager elaborated on the report.

RESOLVED: (Ms Tindal/Cr Mitchell)

Minute No. ARSC 22303

"That the Subcommittee:

- (1) notes and receives the update on the planned actions arising from the recommendations made in the payroll tax compliance evaluation report attached as Appendix 1 to the report;*
- (2) notes the good progress of having addressed 12 of the 14 recommendations, with the remaining recommendations expected to be closed by August 2022."*

8. **HOLIDAYS ACT COMPLIANCE** (22/1344)

Report No. ARSC2022/3/119 by the Finance Project Manager

Speaking under public comment, **Mr Max Shierlaw** believed Council was misunderstanding the Holidays Act where it related to back-paying any anomalies found. He maintained the remediation payments should be backdated to March 2014.

The Finance Project Manager elaborated on the report. In response to the issue raised in public comment, the Finance Project Manager explained that under legislation, a local authority was required to backdate any remediation payments six years from when it first became aware of the issue. She advised the external review into the issue was concluded in March 2021, which resulted in the six year period commencing in March 2015. She noted that by the time the remediation payments were made (anticipated to be July 2022), the period would span seven years.

The Chair acknowledged the extensive amount of work that had been undertaken on the issue.

In response to questions from members, the Finance Project Manager advised the delays in the implementation of the new payroll system was due to vendor software issues. The Chief Digital Officer advised that the vendor, assured the software would be ready on time. He added that there were no more costs to Council at this stage and the timeframes for implementation of the new system were being negotiated.

In response to further questions from members, the Finance Project Manager advised that officers were contacting affected former employees using contact details on file. She added that contact was being made via text message and email.

The Chair added that legislation obliged Council to make contact with former employees using their last known contact address. She noted there was a link on Council's website for former employees to register their interest.

In response to a further question from a member, the Finance Project Manager advised the proposed new system had regular monitoring functions. She noted the Holidays Act 2003 legislation was due to be amended soon and that the proposed new payroll system would be revised once the amendments were enacted.

RESOLVED: (Ms Tindal/Cr Shaw)

Minute No. ARSC 22304

"That the Subcommittee notes and receives the report."

9. **RISK MANAGEMENT UPDATE** (22/1406)

Report No. ARSC2022/3/120 by the Risk and Assurance Manager - Finance

The Chief Executive provided a verbal update on an emerging issue regarding the Little Theatre, attached as pages 12-13 to the minutes.

In response to a question from a member, the Chief Executive agreed to report back to members on whether the affected four venue bookings could be accommodated elsewhere.

The Risk and Assurance Manager – Finance elaborated on the report.

RESOLVED: (Ms Tindal/Cr Mitchell)

Minute No. ARSC 22305

“That the Subcommittee:

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

10. **TUPUA HORO NUKU PROJECT UPDATE** (22/1405)

Report No. ARSC2022/3/121 by the Head of Transport

The Head of Transport elaborated on the report.

In response to questions from members, the Head of Transport advised the external funding had not been approved. He added an announcement would be made in July 2022. He explained the delay in final costings for the remaining four bays was due to designs and costs taking longer than anticipated. He noted reduced costs for Sunshine Bay and Windy Point after the peer review process.

RESOLVED: (Ms Tindal/Cr Edwards)

Minute No. ARSC 22306

“That the Subcommittee:

- (1) notes the key risks and updates on the Tupua Horo Nuku (Eastern Bays Shared Path) Project;*
- (2) notes the increasing construction costs to deliver the overall Tupua Horo Nuku (Eastern Bays Shared Path) Project and that discussions are on-going with Crown Infrastructure Partners (CIP) and Waka Kotahi to seek additional funding and that the costs for the remaining four bays will go to Council for approval in late 2022;*
- (3) notes the Tupua Horo Nuku (Eastern Bays Shared Path) Project budgets (both capital expenditure and revenue) approved by Council in the Long-Term Plan 2021-2031 following public consultation and updated for Council decisions made in the preparation of the Annual Plan 2022-23, as detailed in the “Financial Considerations” section of the report; and*
- (4) notes that Council will be required to approve any increase in funding requirements which exceeds Council’s approved budgeted position and that the impact of the significance of*

increases on requirements for Council to consult on changes will be considered alongside the outcome of discussions with funding partners."

For the reasons outlined in this report.

11. **BUILDING CONSENT AUTHORITY ACCREDITATION UPDATE** (22/1404)

Report No. ARSC2022/3/122 by the Director Environment and Sustainability

The Director of Environment and Sustainability elaborated on the report. She advised the International Accreditation New Zealand (IANZ) accreditation visit was on 24-26 August 2022. She said that monthly updates to IANZ had changed to the 10th of the month.

In response to questions from members, the Director of Environment and Sustainability advised that officers provided action update reports. She also advised IANZ was satisfied with the officers progress.

RESOLVED: (Ms Tindal/Cr Mitchell)

Minute No. ARSC 22307

"That the Subcommittee notes and receives the Building Consent Authority Accreditation update."

12. **INFORMATION ITEMS**

a) **Naenae projects - progress update** (22/1348)

Memorandum dated 8 June 2022 by the Project Manager (Naenae)

The Project Manager (Naenae) elaborated on the report.

The Group Chief Financial Officer advised the approval of Council's application to the Local Government Funding Agency's Green, Social and Sustainability Programme had been successful.

Cr Briggs acknowledged the Project Manager (Naenae) for working well with all project partners on the project and adhering to the project timeframes.

Cr Shaw congratulated the team for recycling 80% of the demolition materials. She noted the addition of a second "Zoom Tube" to the project.

Mayor Barry congratulated the team on reaching the significant milestone. He acknowledged the commitment to sustainability. He noted the involvement of Council and the community from the outset of the project. He cited the project as having instilled community confidence.

RESOLVED: (Ms Tindal/Mayor Barry)

Minute No. ARSC 22308

"That the Subcommittee receives the memorandum and notes the following progress that has been made on the Naenae projects:

- a) *the completion of the demolition and the commencement of site establishment;*
- b) *the signing of the main construction contract with Apollo Projects;*
- c) *the inclusion of a second bulkhead and two hydro-slides in the scope of the Naenae Pool;*
- d) *the Naenae Pool and Fitness Centre is tracking well to the budget of \$68M and the confidence rating of successful delivery is improving;*
- e) *the loan application to the Local Government Funding Agency under the Green, Social and Sustainability Lending Programme; and*
- f) *the first drawdown of co-funding of \$2.7M from Crown Infrastructure Partners."*

b) Audit and Risk Subcommittee Forward Programme 2022 (22/1422)

Report No. ARSC2022/3/109 by the Senior Democracy Advisor

The Chair expected a further update on the external audit to the next Subcommittee meeting on 30 August 2022.

RESOLVED: (Ms Tindal/Cr Mitchell)

Minute No. ARSC 22309

"That the Subcommittee receives and notes the Forward Programme for 2022 attached as Appendix 1 to the memorandum."

13. QUESTIONS

There were no questions.

There being no further business the Chair declared the meeting closed at 3.05pm.

S Tindal
CHAIR

**CONFIRMED as a true and correct record
Dated this 2nd day of August 2022**

Audit and Risk Subcommittee 28 June 2022 – Covid Update

Further to my update to the Subcommittee on 19 April I note that the risk report to today's meeting covers the ongoing impacts of Covid on our operations. As managing Covid has become part of our business as usual and continuity planning, I'm proposing that this be the final bespoke report to the Audit and Risk Subcommittee on Covid. The Communities Committee and Policy Finance & Strategy Committee will also continue to receive updates in their regular reporting cycle.

NZ remains in the orange traffic light setting. Around 35% of our permanent workforce has contracted Covid (176) and many more have been required to isolate due to household contacts having Covid or being a close contact. There have been ten workplace exposure events across our sites with two staff contracting COVID. This is a very low rate and highlights the effectiveness of our health and safety "golden rules". Now that we are in the winter months, we are seeing an upsurge in flus and colds. We offered our annual flu vaccinations free to staff and saw a strong uptake of this.

Covid continues to impact staff numbers across our community facilities and services, although to a lesser extent than last reported. We are managing on a day-by-day basis with intermittent facility closures. Visitor numbers at our eight neighbourhood hubs and libraries continues to be at decreased levels due to the impact of COVID. For the three-month period March-May 2022, visitor levels are at 45% of the same months pre-COVID. Bookings of community halls across the city are 54% of pre-covid levels.

The financial impacts of Covid are ongoing. We are forecasting a loss of revenue of \$2M mainly due to closures and restrictions impacting pools of \$1.2M and other community spaces of \$0.4M, as well as parking and enforcement fees in the Transport area of \$0.4M. Our capex programme has also seen some delays due to Covid. This has been reported on separately with carry-overs to 2022/23 agreed by Council Regional co-ordination responding to Covid continues.

Ngā mihi nui
Jo Miller
Chief Executive

Closure of the Little Theatre

Asbestos has been discovered underneath carpet tiles located in the foyer area of the Little Theatre. The area is contained, represents no risk to the public and plans to remove the asbestos have been approved by Worksafe.

The Little Theatre needs to be temporarily closed until at least 13 July 2022 to allow for the safe removal of asbestos. The Chief Executive advised the temporarily close the Little Theatre to the public with immediate effect to allow for a Class A asbestos removal to be carried out.

On Monday 20 June 2022, during routine replacement of the carpet in the foyer of the Little Theatre, a contractor discovered an unknown substance under the existing carpet tiles. Fibresafe, an IANZ accredited asbestos sampler/surveyor, took a sample on site of the unknown substance. Whilst on site, they advised they would also test the vinyl that is glued to the concrete underneath the carpet tiles. Fibresafe suspected the vinyl would contain asbestos and communicated this at the time. The lab report from Fibresafe confirmed that the vinyl contains asbestos and will have cross contaminated the mastic glue. The foyer was already closed off to the public due to the routine maintenance and has remained closed since. Additional hoardings were put up to restrict all access to this area.

In the previous carpet installation, the asbestos was not identified and therefore not sealed. When the carpet tiles were pulled up to be replaced, this disrupted the vinyl, and the job cannot be completed without further disruption. To completely rid the floor of asbestos, the vinyl will be pulled up, but the glue requires being ground-off. Grinding this glue off turns the removal into the highest class due to the airborne nature of grinding.

The Facilities team met with three different contractors to discuss the severity of the asbestos and options for moving forward. Contractors are required to be licensed according to their ability to remove asbestos. Two of the contractors have a Class A license (highest class) and one a Class B license. Whilst Hutt City Council does not have a formal asbestos management policy, from an Assets & Facilities and Health and Safety viewpoint, eliminating the hazard is the preferred option. However, this is always viewed case by case to ensure practicality, risk assessment and affordability.

Before an asbestos removal can take place, Worksafe require a five-day review of the methodology from the contractor. Worksafe has viewed and approved a methodology from one of our Class A contractors and work can proceed once the quote has been accepted.

An option of not grinding the floor (dropping to a Class B removal) was considered. However, due to the state of the vinyl, the inability to manage the airborne particles and contractor's policies of not encasing asbestos, this is not a feasible option. The timeframe for asbestos removal is likely to be two weeks from Wednesday 29 June 2022. There will be 4 venue hire bookings affected by the closure. There will be an impact on hirers and the Arts & Culture team will endeavour to find alternative arrangements for all

bookings. There are three one-day bookings and one two-week booking that will be impacted by the proposed closure.

These works are not budgeted for within the Arts & Culture budget but will be covered by the Facilities Management Contingency Fund. The work to safely remove the asbestos is estimated to be approximately \$30,000.00.

Hutt City Council is a PCBU under the Health and Safety at Work Act 2015, with Chief Executive Jo Miller, holding duty of care as the Officer of the PCBU, and therefore responsible for ensuring due diligence responsibilities are met. Hutt City Council as a PCBU has responsibility to ensure we provide a safe work environment and to manage any risk to our staff, contractors, or visitors through provision of information, training, instruction, or supervision. Where possible, a PCBU should eliminate risks to health and safety as far as reasonably practicable, or where not possible, minimise those risks as far as is reasonably practicable. Based on this, an elimination strategy should be considered, and if not practicable, the risk needs to be minimised as far as reasonably practicable. Hutt City Council must meet any overlapping duties, and consult, coordinate and cooperate with all affected PCBUs, including other tenants or contractors engaged to complete work.

Until remedial works have been completed, the foyer area of the Little Theatre is unsafe for staff or public to access. This area has been closed off with protective hoardings.

Jo Miller
Hutt City Council
Chief Executive