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# Finance, Audit & Risk Committee

## OPEN MINUTES

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Minutes of a meeting of the Finance, Audit & Risk Committee held in the Council Chambers, Horowhenua District Council, Levin, on Wednesday 29 January 2020 at 4.00 pm.

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### PRESENT

<b>Chairperson</b>	Mr P Jones	
<b>Deputy Chairperson</b>	Mrs C B Mitchell	
<b>Members</b>	Mr D A Allan	
	Mr W E R Bishop	
	Mr R J Brannigan	
	Mr T N Isaacs	
	Mr S J R Jennings	(via Audio Visual link)
	Mrs V M Kaye-Simmons	
	Mr R R Ketu	
	Mrs J F G Mason	
	HWTM B P Wanden	

### IN ATTENDANCE

<b>Reporting Officer</b>	Mr D Law	(Chief Financial Officer)
	Mr D M Clapperton	(Chief Executive)
	Mr K Peel	(Group Manager – Infrastructure Operations)
	Mr I McLachlan	(Group Manager – Customer & Regulatory Services)
	Mr B Maguire	(Group Manager – Infrastructure Development)
	Mr S Magi	(Information Services Manager)
	Mr B Harvey	(Community Facilities & Events Manager)
	Mrs L Winiata	(Community Engagement Manager)
	Mrs L Slade	(Acting Senior Manager – People & Culture)
	Mrs T Glavas	(Health & Safety Advisor)
	Mr J Paulin	(Finance Manager)
	Mr A Chamberlain	(Financial Accountant)
	Mrs K J Corkill	(Meeting Secretary)

### ALSO IN ATTENDANCE

Mrs R Dean	(CKS Audit)
Mr C Te Peeti	(accompanying Cr Ketu)

### MEDIA IN ATTENDANCE

Ms R Moore	(“Manawatū Standard”)
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### PUBLIC IN ATTENDANCE

There were seven members of the public in attendance at the commencement of the meeting.

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The meeting opened with a karakia (Cr Ketu) and then a minute's silence was observed in remembrance of Mark Lester.

The Chair also noted that this was Mr McLachlan's last FAR Committee meeting prior to retirement particularly acknowledging Mr McLachlan's work with regard to risk management and thanking him for his contribution to Council and to the Horowhenua District.

## 1 Apologies

An apology was recorded for Cr Tukapua.

MOVED by Cr Allan, seconded Cr Bishop:

*THAT the apology from Councillor Tukapua be accepted.*

**CARRIED**

## 2 Public Participation

### 7.2 Projects Update

Speaking on Levin Stormwater, Mr Philip Taueki articulated his concerns in relation to the stormwater going into the Lake, particularly noting that currently this was unconsented and he queried what Council was going to do to address this.

Mr Charles Rudd spoke in relation to the proposed Levin Stormwater consent and the Levin Wastewater Discharge consent applications outlining what he saw as the key issues and also expressing his total opposition to the proposed Levin Wastewater treatment plant at the Pot.

Also speaking in relation to the Levin Stormwater consent and the overall issue of the Lake, Mr Brett Russell covered historical and recent matters concerning the current state of the Lake, outlining some possible actions that could assist with the Lake's restoration.

## 3 Late Items

Whilst there were no late items, a supplementary paper (the Audit Engagement Letter) to Report 20/11 - Internal Audit Programme was tabled from CKS Audit setting out its Internal Audit Services.

## 4 Declarations of Interest

None declared.

## 5 Confirmation of Minutes – 27 November 2019

MOVED by Mayor Wanden, seconded Cr Jennings:

*THAT the minutes of the meeting of the Finance, Audit & Risk Committee held on Wednesday, 27 November 2019, be confirmed as a true and correct record.*

**CARRIED**

## 6. Announcements

There were no announcements.

With the agreement of the meeting, item 7.5 Internal Audit Programme was the next report to be considered.

## 7 Reports

### 7.5 Internal Audit Programme

#### Purpose

To introduce the proposed Internal Audit programme for the 2019/20 financial year for Council to review.

Mrs Rachael Dean from CKS Audit was welcomed to the table.

As noted in the report, Mr Law reiterated that in May 2019 Council had committed to doing an internal audit on Procurement. The audit was now ready to proceed and Council needed to adopt the Audit Engagement Letter with any amendments that may be required.

Rachael Dean introduced herself giving an overview of her qualifications and extensive and varied experience which did include some time in local government. She covered the steps taken to date and outlined some of the issues that other local authorities had considered in terms of internal audit. A meeting had already been held with the CFO to elicit information about Council's procurement policy and processes and areas that might be included in the audit.

Responding to queries, Mrs Dean explained the methodology that would be used which would compare HDC's procedures and processes with good practice. In terms of timing, Mrs Dean said if there was quick access to Council staff and records and there were no unexpected events, a draft report would come to the March FAR Committee meeting and the final report should be ready for the April FAR meeting.

Following Mr Jones clarifying that there would not be an additional point 9 in the Scope and Mr Clapperton providing more specific recommendations to encompass the audit process, it was:

MOVED by Mr Jones, seconded Cr Brannigan:

*THAT Report 20/11 Internal Audit Programme be received.*

*THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.*

*THAT the Finance, Audit & Risk Committee supports an internal audit focussing on Procurement.*

*THAT the Horowhenua District Council authorises the CFO to execute the CKS Audit Internal Audit Services Engagement Letter.*

**CARRIED**

### 7.1 Health & Safety - Quarterly Report

#### Purpose

To provide an update to the Finance Audit and Risk (FAR) Committee on health and safety matters at Horowhenua District Council for the three-month period to 31 December 2019.

With the report being taken as read, Health & Safety Advisor, Mrs Glavas, and Acting Manager – People & Culture, Mrs Slade, joined the table to respond to any queries.

Responses to queries from around the table included:

- on page 9, in relation to the status of expired contractors, at this point paperwork was awaited or discussions were occurring as to whether the contractors in question were still being used by Council.

- with regard to what appeared to be a grey area, more particularly for the Aquatic Centre where there were a number of recorded medical or other events that may or may not be strictly Health & Safety issues under the legislation as they were not caused by an unsafe work area, it was noted this was caused by people reporting such events through PeopleSafe. That reporting led to further reporting by the Health & Safety Advisor. This was something that would be looked at to provide more specific reporting to the FAR Committee.
- again with regard to the Aquatic Centre and the recent lessons learnt, these would be extended to the rest of the organisation, particularly those areas where hazardous chemicals were concentrated. At Health & Safety meetings lessons learnt were also shared around the table and that would be filtered back to other areas of Council.

MOVED by Cr Brannigan, seconded Cr Jennings:

*THAT Report 20/8 Health & Safety - Quarterly Report be received.*

*THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.*

**CARRIED**

## 7.2 Projects Update

### Purpose

To provide the Finance, Audit and Risk (FAR) Committee with an update of the projects being undertaken by the Infrastructure Projects Team.

Mr Peel and Mr Clapperton joined the table to speak to the report, which was worked through project by project.

#### A. North East Levin Stormwater (Discharge to Koputaroa Stream Tributary)

Mr Clapperton confirmed that work was not yet in progress. He outlined the steps that would be taken in terms of talking to submitters and key stakeholders to identify suitable mitigation options.

With regard to the ongoing risk management journey, the Chair commented that there were some inconsistencies between the level of risks with all the projects, but particularly this one which he suggested needed more assessment when it was compared with the risks for the other projects.

#### B. Levin Stormwater

Responding to a query as to whether Council had been able to identify any solutions, Mr Clapperton said the key thing that was being done at the moment was the testing of the composition of the water going into the Lake from entry points. This was the first step in the process and mitigation measures would be developed largely based on the composition of the water, which was not just urban stormwater but also groundwater which was coming mainly off the rural catchment. A solution did need to be found and mitigation would be part of the process. Testing did take time as it had to be done over different (seasonal and weather) conditions.

In terms of timing, Mr Clapperton did note that some of the testing was weather related but he did agree it was important to give some indication of when the monitoring would be completed and what the findings of that monitoring were as well.

The importance of speaking with tangata whenua was stressed as that would provide not only a scientific view, but also a cultural view of the state of the water in terms of protecting the mauri of the Lake and its waters.

- E. Tokomaru Water Supply  
Responding to a query about the number of people who were on tank rather than the town water supply, Mr Clapperton said he understood there were approximately 500 residents (not including the rural lifestyle area), with perhaps half of those on the town water supply, with the rest having their own tank water.
- J. Queen Street / Cambridge Street Intersection Improvements  
With the design of the roundabout based on 2018 traffic modelling and in light of how Levin had changed since then and growth predictions, it was queried if this design was fit for purpose.  
Mr Peel responded that there had been further traffic counting in October last year and that had been checked against the modelling that had been done so it should be suitable for at least 15 years. What also needed to be done, in light of O2NL, was to change people's driving habits and take traffic away from Queen Street by changing the network, which would further reduce some of the pressure on that route.
- H. Foxton Wastewater Discharge  
Mr Clapperton reported that the second phase of the desludging was not yet complete as there had been a greater volume of sludge that had to be removed. The geo-bags were now on the side of the ponds being dewatered. The rest of the work would include desludging the remainder of the ponds.
- I. Poads Road Bridge  
With there being three bridges to be constructed in close proximity, whether doing them at the same time would have benefits was queried. Mr Peel said that had been looked at to see if they could be bundled up, but with the process for the business case with NZTA still being progressed to get the Gladstone realignment done and with the Poads Road bridge needing to be replaced now, there would not be a huge benefit in delaying it.

MOVED by Cr Allan, seconded Cr Mitchell:

*THAT Report 20/9 Projects Update be received.*

*THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.*

**CARRIED**

### 7.3 Six Month Report 1 July - 31 December 2019

#### **Purpose**

To present to the Finance, Audit & Risk (FAR) Committee the financial report for the six months ended 31 December 2019.

Mr Law reported that things were tracking along reasonably well against projections, with most of the variances having been around for the last few months. One thing that had changed with interest rates moving up was that Council now had an unrealised gain on derivatives and swap contracts.

Raised in discussion:

- the effect of the loans with higher interest rates reaching maturity, particularly those in 2021;
- with regard to building consents issued, it was explained that the difference between new dwellings and new residential dwelling units was that dwelling units referred to conjoined dwellings;
- rates debtors, with the second quarter looking like it was more than double the first quarter. Mr Law said this was not uncommon as the second instalment was so close to Christmas. Many Councils had instalment dates a month earlier than

HDC which was something that Council may want to consider. Council did try and process rates rebates earlier in the year but many ratepayers deliberately timed it so the rebates paid off their second instalment which created a workflow and manpower issue for Council. Rates debt, including penalties for late payment, was also bound up in legislation which did affect how Council pursued collection. Council did accommodate rates debtors, particularly with regard to penalties, who were proactive and set up a payment plan.

- looking at how total expenditure was tracking (page 69), it was noted that Council was getting better at how it phased budgets and expenditure. Capital expenditure, which was another aspect, would be reported on at the next meeting.

MOVED by Cr Mitchell, seconded Cr Bishop:

*THAT Report 20/6 Six Month Report 1 July - 31 December 2019 be received.*

*THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.*

**CARRIED**

## 7.4 Treasury Report

### Purpose

To present to the Finance, Audit & Risk (FAR) Committee the Bancorp Treasury Report for the December 2019 quarter.

Mr Law spoke briefly on interest rates and whether there was the possibility of change due to a variety of factors such as the Coronavirus and the Australian Reserve Bank potentially dropping its OCR rate with any flow on effects.

Responding a query as to why Council should not be borrowing more money at low rates and investing at higher rates, Mr Jones explained that legislation prohibited Councils from speculating. It was acceptable to prefund known debt repayments and to prefund in such instances as borrowing \$5m when Standard & Poors recently suggested that Council did not have enough liquid assets. Because of interest rates at the time Council was able to make a small amount on the margin. However, if Council borrowed \$50m to reinvest at a higher interest rate that would be speculation, it could be deemed an illegal action and there could be personal liability for himself and Council.

MOVED by Cr Bishop, seconded Deputy Mayor Mason:

*THAT Report 20/10 Treasury Report be received.*

*THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.*

**CARRIED**

5.38 pm

There being no further business, the Chairperson declared the meeting closed.

CONFIRMED AS A TRUE AND CORRECT RECORD  
AT A MEETING OF THE FINANCE, AUDIT & RISK  
COMMITTEE HELD ON

**DATE:**.....

**CHAIRPERSON:**.....