

**TAUPŌ DISTRICT COUNCIL
MINUTES OF THE RISK & ASSURANCE COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, 107 TE HEUHEU STREET, TAUPŌ
ON FRIDAY, 19 MAY 2023 AT 9.30AM**

- PRESENT:** Cr Danny Loughlin (in the Chair), Cr Bruce Robertson (via MS Teams), Mr Anthony Byett, Cr Anna Park, Cr John Williamson, Cr Rachel Shepherd, Cr Kevin Taylor
- IN ATTENDANCE:** Acting Chief Executive, General Manager Finance and Environment, General Manager People and Customer, General Manager Operations and Delivery (via MS Teams), Legal, Risk and Governance Manager, Finance Manager, Communications Manager, Risk Manager, Environmental Services Manager, Project Management Office Manager, Governance Quality Manager
- MEDIA AND PUBLIC:** Audit New Zealand representatives, Messrs Leon Pieterse (via MS Teams, for items 1-5.4), Wikus Jansen van Rensburg, Kay Oloro and Carter Horsup
Aon representative, Mr Matthew Wilson (via MS Teams, for items 1-5.1)

1 KARAKIA

Cr Anna Park recited an opening karakia.

2 WHAKAPĀHA | APOLOGIES

RACC202305/01 RESOLUTION

Moved: Cr Danny Loughlin
Seconded: Cr John Williamson

That the apology received from His Worship the Mayor, David Trewavas be accepted.

CARRIED

3 NGĀ WHAKAPĀNGA TUKITUKI | CONFLICTS OF INTEREST

Nil

4 WHAKAMANATANGA O NGĀ MENETI | CONFIRMATION OF MINUTES

4.1 RISK & ASSURANCE COMMITTEE MEETING - 2 MARCH 2023

In answer to a question from independent member Mr Anthony Byett, councillors advised that the Annual Plan consultation process was still underway, with hearings and deliberations to come. A significant number of public submissions had been received.

RACC202305/02 RESOLUTION

Moved: Cr Bruce Robertson
Seconded: Cr Rachel Shepherd

That the minutes of the Risk & Assurance Committee meeting held on Thursday 2 March 2023 be confirmed as a true and correct record.

CARRIED

5 NGĀ RIPOATA | REPORTS

5.1 INSURANCE UPDATE

The Risk Manager introduced the item, confirming that work was underway on Council's insurance renewal programme for next year. The report included a summary of known challenges facing the insurance industry and Council's insurance programme. Taupō District Council's material damages schedule was due to be provided to Aon by 7 July 2023.

Mr Matthew Wilson, Aon, was present via MS Teams video link. He provided an overview of the current insurance market and the following points were noted:

- The insurance market had been starting to ease in Q3, however secondary 'nat cat' (natural catastrophe) events, including Hurricane Ian and locally the Auckland Anniversary weekend weather event and Cyclone Gabrielle, had had adverse effects on retail insurance and also re-insurance markets.
- The global insurance market affected New Zealand's insurance market, because material damage insurance was off-shore owned.
- On the positive side, long-standing relationships with insurers would reduce the impact of these pressures because Council would not be negotiating as a distressed purchaser.

Audit New Zealand representative, Mr Leon Pieterse, joined the meeting via MS Teams at this point (9.44am).

- Impacts of 'nat cat' events may be different between the domestic and the corporate insurance markets.
- The renewals programme was starting earlier than usual this year. Underwriters were requiring clients to understand true replacement values; it was important to take time to ensure the declared values were representative of what Council wanted to insure.
- Material damage losses to Hawkes Bay councils resulting from Cyclone Gabrielle represented approximately 10% of the total declared asset value for that particular 'LASS' (Local Authority Shared Services) insurance programme.

In answer to questions, Mr Wilson advised that:

- Deductibles included everything other than natural disasters. The definition of 'natural disaster' in insurance contracts in New Zealand currently did not include storms and floods. Perils included in the 'natural disaster' definition included subterranean fire, volcanoes and earthquakes. Council's current deductible for storms, floods, fire and vandalism was \$25k.
- The excess deductible for 'natural disaster' events was based on a percentage of site value, not the quantum of loss.
- Part of the renewal process would include a discussion about Council's level of appetite for deductibles, taking a cost:benefit analysis approach.
- It was unlikely that sublimits would be introduced for Taupō District Council.
- For private property owners, known risks based on local topography would translate through to premiums. Council had a role considering and determining where people should and should not be permitted to build within the district.

In response to a question, the Risk Manager confirmed that the deadlines set by Aon would be met.

A member pointed out that there was a typographical error in the third paragraph of the report, as a review of Council's insurance programme was planned, not proposed. The Acting Chief Executive added that the insurance update was included on the Committee's workplan.

RACC202305/03 RESOLUTION

Moved: Cr Bruce Robertson
Seconded: Cr Anna Park

That the Risk & Assurance Committee receives the insurance update.

CARRIED

5.2 EXCLUSION OF PUBLIC - ANNUAL REPORT 2021/22

The Finance Manager presented the Annual Report 2021/22 along with supporting documents and advised that:

- There was no negative impact on Taupō District Council due to the late presentation of the Annual Report 2021/22.
- The BNZ had confirmed that late adoption would not breach bank covenants.

RACC202305/04 RESOLUTION

Moved: Cr Danny Loughlin
Seconded: Cr Rachel Shepherd

That the Risk & Assurance Committee excludes the public to enable a confidential discussion to be had with Audit New Zealand representatives, for the reasons set out below:

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
<p>Agenda Item No: 5.2 Exclusion of Public - Annual Report 2021/22</p>	<p>Section 7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>Section 7(2)(c)(i) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied</p>	<p>Section 48(1)(a)(i)- the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7</p>

I also move that Messrs Leon Pieterse (via MS Teams), Wikus Jansen van Rensburg, Kay Oloro and Carter Horsup, Audit New Zealand, be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of the audit of the Taupō District Council Annual Report 2021/22.

CARRIED

All staff except for the Governance Quality Manager left the meeting at this point (10.19am).

[... CONFIDENTIAL ...]

RACC202305/05 RESOLUTION

Moved: Cr Anna Park
Seconded: Cr Kevin Taylor

That the Risk & Assurance Committee moves out of confidence.

CARRIED

5.3 ANNUAL REPORT ADOPTION 2021/22

Independent Risk & Assurance Committee Chairperson, Mr Bruce Robertson, recommended the addition of part 4 to the suggested resolutions, to make it explicit that the Committee's role was to recommend adoption to full Council and that the documents should be signed after Council's consideration and resolution on 30 May 2023. He made the following points:

- The audit would remain technically open until the Annual Report was adopted on 30 May.
- The Letter of Representation contained key information and assurances about the audit, including acknowledgement that the audit was carried out in accordance with auditing and accounting standards; and that Council would continue to be a 'going concern' at 30 May.

Mr Robertson asked management to advise whether there were any known impediments to adoption of the Annual Report 2021/22, to which the General Manager Finance and Environment replied that there were no concerns.

In answer to a question, the Communications Manager advised that after adoption, the Annual Report 2021/22 document would be published on the Council's website in MS Word format, along with a designed Summary Annual Report 2021/22.

The team involved in the audit process, being the Finance Manager and staff, along with the Audit New Zealand representatives, were thanked for their work on the audit of the Annual Report 2021/22.

RACC202305/06 RESOLUTION

Moved: Cr Bruce Robertson
Seconded: Cr Danny Loughlin

That the Risk & Assurance Committee:

1. Receives the report of Jeanette Paenga, Annual Report 2021/22;
2. Considers the draft Taupō District Council Annual Report 2021/22, including any amendments tabled at the meeting, along with the modified opinion received from Audit New Zealand and the representation letter and recommends the draft Annual Report 2021/22 to Council for adoption and publication pursuant to section 98 of the Local Government Act 2002;
3. Considers the draft Taupō District Council Summary Annual Report 2021/22, including any amendments tabled at the meeting, along with the modified opinion received from Audit New Zealand and the representation letter and recommends the draft Summary Annual Report 2021/22 to Council for adoption and publication pursuant to section 98 of the Local Government Act 2002.
4. Recommends Council adopts the Annual Report 2021/22 and its Summary and that the Mayor and the Acting Chief Executive sign the Statements of Compliance and the Letters of representation after adoption on 30 May 2023.

CARRIED

5.4 DRAFT AUDIT MANAGEMENT REPORT FOR 2021/22

Item **withdrawn**. It was noted that the draft Audit Management Report for 2021/22 would be emailed to Risk & Assurance Committee members, who could direct any queries to the General Manager Finance and Environment. The item would then be included on the next Risk & Assurance Committee meeting agenda.

Deputy Chairperson Cr Danny Loughlin thanked Audit New Zealand representative, Mr Leon Pieterse for his attendance and work over the last six years. Mr Pieterse advised that it was his intention to attend the 30 May Council meeting. He then left the MS Teams meeting.

5.5 MONTHLY PERFORMANCE REPORT MARCH 2023

The General Manager Finance and Environment introduced the report, which had been received by Council at its April meeting. The Chairperson requested high level and targeted reporting around financial strategy and performance for future Committee meetings.

The Project Management Office (PMO) Manager addressed the Committee and the following points were noted:

- There were 17 projects currently on the 'significant projects list' being monitored by Elected Members.
- The PMO was overseeing a high proportion of the significant projects.
- 'Shovel-ready' projects funded by central government following the start of the Covid-19 pandemic had been completed and a new phase was underway, with a high proportion of transport and 'Three Waters'-related projects.
- Acknowledging that project risk was a key interest area for the Risk & Assurance Committee, it was explained that each project had a risk register monitored by the sponsor, project governance and steering group teams as appropriate.
- The top project risks currently were post-Covid-19 supply chain challenges and inflationary pressures on budget. Mitigation measures included early purchase of construction materials; tight scope management; prudent financial management; and inclusion of appropriate contingencies in budgets.

In answer to a question, the Project Management Office Manager advised that the 204 Crown Road and EUL Stage 1 Lot 20 earthworks and civil projects were part of the draft Annual Plan 2023/24, with consultation still underway. The General Manager Operations and Delivery added that work was underway to enhance reporting to both Council and the Risk & Assurance Committee. The two projects in question should not have been included in the report.

The General Manager Operations and Delivery answered further questions, with responses noted below:

- The report's coding system currently showed time and cost status. Other indicators could be included if useful.
- Projects included in the draft Annual Plan 2023/24 had been carefully considered, with a deliverability lens applied. These projects were either 'must do' or 'will do' projects, with clear and deliverable targets set.

The Project Management Office Manager added that in the time since some projects were originally scoped, expectations around engagement and co-governance had changed. Although some timeframes had been extended as a result of those expectations, outcomes were ultimately better.

In answer to a final question, the Project Management Office Manager advised that the Tūrangi street revitalisation project was initially scoped over five stages to revitalise kerb and channel along with planting on streets in Tūrangi. The original budget provided by central government as part of the Covid-19 'shovel ready' funding was insufficient to complete the entire project, mainly due to concrete price rises. Council had requested more funding from government and included additional funding via Annual Plans in recognition of the benefits to the Tūrangi community.

RACC202305/07 RESOLUTION

Moved: Mr Anthony Byett

Seconded: Cr Kevin Taylor

That the Risk & Assurance Committee notes the information contained in the Performance Report for the month of March 2023.

CARRIED

5.6 BUILDING CONSENT AUTHORITY (BCA) INTERNATIONAL ACCREDITATION NEW ZEALAND (IANZ) AUDIT MARCH 2023

The Environmental Services Manager highlighted the key points contained in the report. In answer to questions she advised that:

- Council's building consents team included a Technical Building Specialist, who was responsible for continuous auditing of processes and documents. This included review of consents processed by the team in Taupō and also those consents sent to Christchurch for processing. Oversight of officers' competency was also part of the Technical Building Specialist's role, along with being an area of focus as part of the IANZ audit.
- The observations detailed on page 59 of the agenda [Regulation 7(2)(f)] were anomalies and there were no ongoing material effects on end users.

RACC202305/08 RESOLUTION

Moved: Cr Bruce Robertson

Seconded: Cr Anna Park

That the Risk & Assurance Committee receives the IANZ Initial Special Assessment Report dated 14-17 March 2023.

CARRIED

5.7 PROPOSED 2023 RISK AND ASSURANCE COMMITTEE WORKPLAN

The General Manager Finance and Environment addressed the Committee, emphasising that the workplan was still in draft.

Independent Committee Chairperson Mr Robertson suggested the following additional amendments to the workplan:

- Move 'setting of top risks and risk appetite statement' to June/July 2023.
- Move 'confirming top risks and risk appetite statement' to September 2023.
- Move the Annual Report target adoption date to October, not December 2023.
- Add 'litigation matters update' to October 2023 too, because an update should be received as part of the Annual Report cycle.
- Add an update on insurance placement to December 2023.

Members agreed to adopt the workplan, incorporating all suggested amendments.

RACC202305/09 RESOLUTION

Moved: Cr Bruce Robertson

Seconded: Mr Anthony Byett

That the Risk & Assurance Committee adopts the 2023 Workplan, as amended.

CARRIED

6 NGĀ KŌRERO TŪMATAITI | CONFIDENTIAL BUSINESS**RACC202305/10 RESOLUTION**

Moved: Cr Anna Park

Seconded: Mr Anthony Byett

RESOLUTION TO EXCLUDE THE PUBLIC

I move that the public be excluded from the following parts of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48[1] of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
Agenda Item No: 6.1 Confirmation of Confidential Portion of Risk & Assurance Committee Minutes - 2 March 2023	Section 6(a) - the making available of the information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial Section 7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	Section 48(1)(a)(i)- the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 and 7

CARRIED

The meeting closed at 11.25am with a karakia from Cr Anna Park.

The minutes of this meeting were confirmed at the Risk & Assurance Committee Meeting held on 7 July 2023.

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CHAIRPERSON