

# **Minutes of the 164<sup>th</sup> meeting of the Audit, Finance and Risk Committee held in the Council Chamber, Environment Canterbury, 200 Tuam Street, Christchurch on Thursday, 7 October 2021 at 2.01pm**

1. Mihi/Karakia Tīmatanga – Opening
2. Apologies
3. Conflicts of Interest
4. Deputations and Petitions
5. Audit
  - 5.1 Internal Audit Programme of Work
  - 5.2 Review of Committee's Terms of Reference
  - 5.3 Office of the Auditor-General Update
6. Finance
  - 6.1 Action List
  - 6.2 Fitch Credit Rating Review 2021
  - 6.3 Financial Health Reports August 2021
  - 6.4 Portfolio Financial Health Reports August 2021
  - 6.5 Public Transport Financial Update
  - 6.6 Annual Report year ended 30 June 2021
7. Risk
  - 7.1 Health and Safety
8. Public Excluded
9. Notices of Motion
10. Extraordinary and Urgent Business
11. Next Meeting
12. Mihi/Karakia Whakamutunga - Closing

## **Present**

Councillors John Sunckell (Committee Chair), Chair Jenny Hughey, Claire McKay, Ian Mackenzie, Grant Edge, Nicole Marshall.

Independent Members: Graeme McGlinn and Graham Naylor

## **In Attendance**

Councillors Peter Scott and Elizabeth McKenzie\*

## **Management and officers present**

Stefanie Rixecker (Chief Executive), Giles Southwell (Director Finance and Corporate Services), Katherine Harbrow (Director Operations), Tim Davie (Director Science), Katherine Trought (Director Strategy and Planning), Tafflyn Bradford-James (Director Communications and Engagement), Catherine Schache (General Counsel), Tarsha Triplow (Acting Chief Financial Officer), Catherine McMillan (General Manager Governance), David Perenara-O'Connell (Senior Strategy Manager), Jesse Burgess (Senior Strategy Manager), Stewart Gibbon (Senior Manager Public Transport), Trudie Baker (Organisational Performance Manager), Duran Keeley (Business information Services Support Specialist), Barbara Strang (Committee Advisor) and Juliet Bruce (Committee Advisor).

Report writers and supporting staff were also in attendance.

\*Via MS Teams

1. **Mihi/karakia tīmatanga – opening**

The Committee Chair welcomed everyone to the meeting.

A karakia was given before the Catchment Sub-Committee meeting earlier in the day.

2. **Apologies**

Apologies were received from Tumu Taiao Iaeen Cranwell and Councillor Vicky Southworth.

Cr Nicole Marshall/Cr Claire McKay  
CARRIED

3. **Conflicts of interest**

There were no conflicts of interest recorded.

4. **Deputations and petitions**

There were no petitions or deputations.

The Chair clarified that staff would remain at the table during questions of clarification and discussion, as this would facilitate discussion and meet the requirements under the Local Government Act.

5. **Audit**

5.1 **Internal Audit Programme of Work**

*Refer page 12 – Audit, Finance and Risk Committee Agenda*

Presented by: Director Finance and Corporate Services.

Staff briefly introduced the report and answered questions of clarification. The following key points were noted:

- A three-year internal audit programme was progressing.
- Further work on the Environment Canterbury fraud policy was required so that it could be applied more broadly.
- Some methods of measuring sources of assurance and likelihood of risk were suggested.

An amendment was moved by Cr John Sunckell and seconded by Mr Graham Naylor. That the third (3) recommendation be amended to insert 'a review' and 'in light of work to be undertaken to develop a risk and assurance map', i.e.:

3. *endorses a review of the Three Year Internal Audit Plan in light of work to be undertaken to develop a risk and assurance map.*

The amendment was CARRIED

This became part of the substantive motion.

## RESOLVED

That the Audit, Finance and Risk Committee:

1. receives the verbal update to the Internal Audit programme of work
2. notes that a full report on the individual audits will come to the next Committee meeting
3. endorses a review of the Three Year Internal Audit Plan in light of work to be undertaken to develop a risk and assurance map.

Cr Claire McKay/Cr Grant Edge  
CARRIED

### 5.2 **Review of Committee's Terms of Reference**

*Refer page 19 – Audit, Finance and Risk Committee Agenda*

Presented by: General Counsel.

Staff presented this report and were able to take questions of clarification. The following key points were noted:

- There was a discussion regarding the benefits and disadvantages of principles-based and rules-based terms of reference.

An amendment was moved by Chair Hughey and seconded by Councillor Grant Edge. That the first (1) and second (2) recommendations were replaced with the following recommendation (1), i.e.:

1. *investigates developing a principles-based Terms of Reference to further enhance its ability to discharge its duties.*

The amendment was CARRIED

This became part of the substantive motion.

## RESOLVED

That the Audit, Finance and Risk Committee:

1. **investigates developing a principles-based Terms of Reference to further enhance its ability to discharge its duties.**

Chair Jenny Hughey/Cr Grant Edge  
CARRIED

### 5.3 **Office of the Auditor-General Update**

*Refer page 25 – Audit, Finance and Risk Committee Agenda*

Presented by: Director Finance and Corporate Services.

Staff met with the Auditor-General to discuss mutual priorities including the audit process and the effects of COVID-19 on local government.



**RESOLVED**

**That the Audit, Performance and Risk Committee:**

- 1. receives the update on the meeting with the Office of the Auditor-General.**

Cr Claire McKay/Chair Jenny Hughey  
CARRIED

**6. Finance**

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**6.1 Action List**

*Refer page 26 – Audit, Finance and Risk Committee Agenda*

Presented by: Acting Chief Financial Officer.

Staff gave an overview of the report and explained there were two items that were in progress.

**RESOLVED**

**That the Audit, Finance and Risk Committee:**

- 1. receives the Action List.**

Mr Graeme McGlenn/Mr Graham Naylor  
CARRIED

**6.2 Fitch Credit Rating Review 2021**

*Refer page 27 – Audit, Finance and Risk Committee Agenda*

Presented by: Director Finance and Corporate Services.

Staff briefly introduced the report and were able to answer questions. It was noted that Environment Canterbury was eligible for a discounted rate with the New Zealand Local Government Funding Agency due to the credit rating Environment Canterbury received.

**RESOLVED**

**That the Audit, Finance and Risk Committee:**

- 1. notes that Environment Canterbury has retained its AA+ Long-Term Issuer Default Rating and F1+ Short-Term Issuer Default Rating credit ratings.**

Cr Ian Mackenzie/Cr Claire McKay  
CARRIED

**6.3 Financial Health Reports August 2021**

*Refer page 33 – Audit, Finance and Risk Committee Agenda*

Presented by: Corporate Reporting Accountant.

Staff introduced the report and the following key points were noted:

- It was necessary that the timing of the VHF Communications Network expenditure be decided by Council because the expenditure was initially budgeted over three years in the Long-Term Plan.
- The VHF equipment was purchased to assist the harbourmasters' services in ensuring the safety of vessels in Canterbury harbours.
- It was clarified that the VHF equipment was purchased rather than leased.
- It was suggested that Council's covenants compliance was included in future reporting on the basis that the New Zealand Local Government Funding Agency would require certain covenants and conditions to be met.

## **RESOLVED**

**That the Audit, Finance and Risk Committee:**

- 1. receives the monthly Financial Health report for the period ended 31 August 2021**
- 2. RECOMMENDS COUNCIL approves the alteration of the timing of the VHF Communications Network capex item from Years 1 to 3 of the Long-Term Plan to Year 1 of the Long-Term Plan (2021-22)**
- 3. notes the table of Council-approved unbudgeted expenditure listed in this report.**

Cr Nicole Marshall/Cr Grant Edge  
CARRIED

### **6.4 Portfolio Financial Report August 2021**

*Refer page 46 – Audit, Finance and Risk Committee Agenda*

Presented by: Acting Chief Financial Officer.

Staff introduced the report and answered questions of clarification.

## **RESOLVED**

**That the Audit, Finance and Risk Committee:**

- 1. receives the Portfolio Financial report for the period ended 31 August 2021.**

Cr Ian Mackenize/Cr Nicole Marshall  
CARRIED

### **6.5 Public Transport Financial Update**

*Refer page 54 – Audit, Finance and Risk Committee Agenda*

Presented by: General Manager Public Transport.

Staff introduced the report and the following key points were noted:

- A notable percentage of public transport patrons were using a SuperGold card.
- The impact of COVID-19 on public transport patronage and reserves was significant and ongoing. Environment Canterbury and Waka Kotahi were

contributing to reserves, as Environment Canterbury was collecting less fare revenue than budgeted.

- Regarding the National Land Transport Fund, the status categories were clarified.
- The service operators including frontline staff were acknowledged for their significant contribution in operating an essential service throughout the COVID-19 pandemic and response.
- Bus driver retention was becoming a high risk issue due to COVID-19 impacts, wage rates, and immigration rates.
- There were methods for reducing financial losses, including operating reduced services and receiving contributions from Waka Kotahi.
- High vaccination rates were key to ensuring the public transport system was able to return to normal.
- Maintenance of public transport reserves would be reviewed during the annual plan process.

*Cr John Sunckell left the meeting at 3.10pm and returned at 3.12pm.*

## **RESOLVED**

**That the Audit, Finance and Risk Committee:**

- 1. receives the financial update report for public transport.**

Cr Grant Edge/Cr Claire McKay  
CARRIED

### **6.6 Annual Report year ended 30 June 2021**

*Refer page 64 – Audit, Finance and Risk Committee Agenda*

Presented by: Acting Chief Financial Officer.

Staff confirmed the audit was due to conclude in early December. The following key points were noted:

- The annual report must be adopted at a Council meeting.
- Further updated information would become available during November.
- It was possible to undertake the audit process remotely. It was confirmed that the audit would be completed by the statutory deadline.
- Communication with Audit New Zealand staff was important.

## **RESOLVED**

**That the Audit, Finance and Risk Committee:**

- 1. acknowledges the key matters associated with the Draft 2020/21 Annual Report**
- 2. acknowledges the statutory deadline of 31 December, and that adopting the Annual Report before this date will be difficult, given the current Audit, Finance and Risk Committee and Council meeting schedule, and may require an (additional) extraordinary Council meeting.**

Mr Graeme McGlenn/Chair Jenny Hughey  
CARRIED



## 7. Risk

### 7.1 Health and Safety

*Refer pages 89 of the agenda*

Presented by: Chief Executive.

The Chief Executive introduced the report and outlined the regular health and safety reporting that was received by the Executive Leadership Team. The following key points were noted:

- There were concerns about the methodology of data collection and reporting.
- There were significant ongoing disruptions due to COVID-19.
- Section health and safety plans were important, particularly for staff involved in field work.
- The guidance regarding mandatory vaccinations was developing. Environment Canterbury was encouraging staff to receive vaccinations for COVID-19.
- High numbers of outstanding actions were due to ongoing system changes within the organisation and the constant pressure staff were under to meet other deadlines.
- The Committee Chair highlighted elected members' responsibility to do due diligence regarding the wellbeing of staff.

#### **RESOLVED**

**That the Audit, Finance and Risk Committee:**

- 1. receives the Health and Safety Governance Report**
- 2. notes that consideration is being given to the further work that will provide greater assurance that Health & Safety are focusing on mitigating the key health and safety risks.**

Cr Grant Edge/Cr Claire McKay  
CARRIED

## 8. Public excluded

#### **RESOLVED**

- 1. That the public be excluded from the following part of the proceedings of this meeting.**

The general subject of the matters to be considered while the public is excluded, the reason for passing this resolution 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:

Item No.	General Subject of each matter considered	Reason for passing this resolution to each matter	Ground(s) under section 48(1) for the passing of this resolution
1.1 1.2 1.3 1.4	Risk report Sensitive expenditure report Healthier Homes Canterbury Transport report	Good reason to withhold exists under section 7	Section 48(1)(a)

This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceeding of the meeting in public are as follows:

Item No.	
1.4	Protect information where the making available of that 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 6(a)
1.2 1.4	Protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information – Section 7(2)(b)(ii)
1.3	Maintain professional legal privilege – Section 7(2)(g)
1.2 1.3 1.4	Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section(2)(h)
1.1 1.2	Enable the Committee holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) – Section 7(2)(i)
1.1	Prevent the disclosure or use of official information for improper gain or improper advantage – Section 7(2)(j)

*That appropriate officers remain to provide advice to the Committee.*

Chair Jenny Hughey/Cr Grant Edge  
CARRIED

The meeting went into public excluded session from 3.41pm to 4.40pm.

9. **Notices of motion**

There were no notices of motion.

10. **Extraordinary and urgent business**

There was no extraordinary or urgent business.

11. **Next meeting**

Thursday, 18 November 2021.



12. **Mihi/karakia whakamutunga – closing**

Karakia: Councillor McKay.

The Chair declared the meeting closed at 4.40pm.

CONFIRMED



Committee Chair John Sunckell  
Audit, Finance and Risk Committee  
Councillor, Environment Canterbury

1-12/21

Date