

Audit, Finance & Risk Committee 4 October 2018

Minutes of a meeting of the Audit, Finance & Risk Committee held on Thursday 4 October 2018 in Council Chambers, 10 Gorge Road, Queenstown commencing at 10.00am.

Present

Councillor McRobie (Chair), Councillor Hill, Mr McLauchlan and Mr Wilson

In Attendance

Mr Tony Avery (Acting Chief Executive), Mr Stewart Burns (General Manager Finance, Regulatory & Legal), Ms Meaghan Miller (General Manager Corporate Services), Ms Michelle Morss (Strategic Manager), Ms Anita Vanstone (Performance & Risk Manager), Mr Bill Nichol (Quality Manager), Mr Paddy Cribb (Financial Advisory Manager), Ms Lyn Zeederberg (Financial Controller), Ms Meghan Pagey (Human Resources Manager), Mr Glyn Roberts (Health & Safety Officer), Mr Steve Batstone (Asset Planning Manager), Ms Alice Blame (Legal Manager), Mr Brett Tomkins and Mr Anthony Smith (Deloitte), Mr Miles O'Connor (Bancorp) and Ms Shelley Dawson (Senior Governance Advisor).

Apologies

There were no apologies

Declaration of Conflicts of Interest

Mr McLauchlan commented that he had previously noted his involvement in Ngai Tahu Tourism

Matters Lying on the Table

There were no matters on the table

Public Forum

There were no speakers in public forum.

Confirmation of Agenda

The agenda was confirmed without addition or alteration.

Confirmation of Minutes

On the motion of Mr McLauchlan and Councillor Hill it was resolved that the minutes of the Audit, Finance & Risk Committee held on 13 June 2018 be accepted.

1. 2017/18 Full Year Actual to Budget and Full Year Actual to Re-forecast Financial Overview

Consideration was given to a report that presented the 2017/18 Full Year Actual to Budget and Full Year Actual to Re-forecast financial results and reported on any significant transactions and/or variances to budget. Mr Cribb joined the table to speak to this item.

Mr Burns commented that there were items that had to be reforecast that Mr Cribb would not have been able to anticipate such as the increase in loss provision for leaky buildings. The report was taken as read.

On the motion of Councillor Hill and Mr Wilson it was resolved that the Audit, Finance & Risk Committee note the contents of the report.

2. Sensitive Expenditure

Consideration was given to a report that described the steps taken to assess sensitive expenditure against delegations and policy, and to report any anomalies, including transactions outside of delegated authority or information indicating theft, fraud or misuse of QLDC property. Ms Zeederberg joined the table to speak to this item

Ms Zeederberg commented that the issue of coding errors had improved since the last report. She explained that one person had managed unintentionally to self-approve a Pcard entry. Ms Zeederberg commented that she had escalated this and obtained a different licence for TechOne which meant the issue could not happen again. She noted that both items had been reviewed and she was confident there was nothing untoward. After a question about the use of non-panel consultants Ms Zeederberg explained that the Property & Infrastructure team were working on the procurement process including looking at the panels.

On the motion of Mr McLauchlan and Mr Wilson it was resolved that the Audit, Finance & Risk Committee note the contents of this report.

3. Risk Management Update

Consideration was given to a report that provided the Committee with an update in relation to QLDC's risk management process, ethos and on-going approach. Ms Morss and Ms Vanstone spoke to this report with Mr Nichol joining them at the table.

Ms Morss introduced Ms Vanstone in her new role as the Performance & Risk Manager and Mr Nichol as the Quality Manager now part of the Corporate team. Mr Morss noted that Ms Vanstone would be their primary point of contact going forward.

Ms Morss presented the risk management framework and noted that they were currently doing some fine tuning on the TechOne risk module. This should be in place before the final framework went to Council for adoption. The Committee noted it was happy with the framework.

There was discussion on the delivery of the capital programme in the Ten Year Plan and how to measure performance of delivery. Mr Burns explained that the senior management team were working through what level of governance and reporting was required for the programme delivery to take place. He expected to be able to report on this to the next meeting. Ms Miller commented that the Property & Infrastructure team had recently given a procurement presentation to councillors and suggested it could be presented to the Committee after the next meeting.

On the motion of Councillor Hill and Mr McLauchlan it was resolved that the Audit, Finance & Risk Committee

1. **Note the contents of this report.**
2. **Recommend to Council that the attached Queenstown Lakes District Council Risk Management Framework dated 4 October 2018 is adopted, subject to any minor amendments, including graphic design alterations.**

4. QLDC Organisational Health Safety and Wellbeing Performance

Consideration was given to a report that provided the Audit, Finance & Risk Committee with an update on the Health & Safety performance of the organisation. Ms Pagey and Mr Roberts joined the table to speak to this item.

Ms Pagey commented that that there had been an increase in the total recordable injury frequency rate with an increase in manual handling injuries. She noted that they were investigating how they could reduce these injuries. Ms Pagey noted that QLDC had received a tertiary result in the recently undertaken external audit. Ms Pagey acknowledged the work that Mr Roberts had done through the audit and noted that he had recently tendered his resignation. Ms Miller commented that Mr Roberts had been part of the shift in culture at QLDC and thanked him for his work. She noted that they had gone to market for a more senior Health and Safety role which reflected the commitment from QLDC to health and safety. The Chair commented that it was a good report and wished Mr Roberts luck for the future.

On the motion of Mr McLauchlan and Mr Wilson it was resolved that the Audit, Finance & Risk Committee note the contents of this report.

5. Infrastructure Earthquake Loss Modelling and Insurance Report

Consideration was given to a report that considered the findings of recent Maximum Probable Loss modelling for Three Waters infrastructure and the associated asset insurance requirements. Mr Batstone spoke to this report on behalf of Mr Baker.

Mr Burns introduced Mr Batstone to the Committee. Mr Burns explained that QLDC had cover for underground assets as part of a group of councils and noted that the Property & Infrastructure team had done a lot of loss modelling work on earthquake risk. Mr Batstone commented that Mr Baker had modelled to a quite granular detail on 4 scenarios of quite strong intensity earthquake and landslide. He noted that the focus on insurance for this discussion was around pipeline infrastructure. Mr Batstone explained the AF8 earthquake scenario noting that the effects would be less severe in Queenstown though there were two local fault lines that could be of increased risk. Mr McLauchlan mentioned a new fault located near Dunedin that could also be investigated.

Mr Batstone commented that QLDC was currently insured for \$100million however modelling suggested damage would cost approximately \$130million. They were therefore recommending insurance cover be increased to \$130million. He commented that they were working with government departments to get a clearer understanding of what would potentially be funded by central government. Mr Batstone explained that they were working with MCDEM, Aon insurers and others to fully understand the insurance cover required.

There was discussion on the level of insurance and the cost of premiums. Mr Burns noted that the policy would renew in November 2018 so they would have more information on those costs then. The Committee agreed to increase the cover to \$130million and any differences in premium or costs could be brought to the next Committee meeting.

On the motion of Mr Wilson and Councillor Hill it was resolved that the Audit, Finance & Risk Committee

- 1. Note the contents of this report and in particular;**
- 2. Agree to the principle of insuring underground assets to a limit equivalent to the Maximum Probable Loss estimate (insured value) for the worse case 1,000 year Average return interval earthquake event.**
- 3. Recommend to increase insurance limit to be equivalent to, or as near as possible to, maximum probable loss estimate e.g. for 2018 \$130m.**

4. **Note the potential financial risk due to the lack of guidance on the central government contribution to recovery costs and that assistance may be required to attain clarity on this going forward.**
5. **Agree to the completion of a workshop to consider the broader resilience issues across the district.**
6. **Note that future asset valuations will include financial and insurance values.**
7. **Note that a vulnerability and resilience strategy is to be developed that will define long term goals in response to the obligations, for lifeline utility infrastructure, under the Civil Defence and Emergency Management Act 2002.**

Resolution to Exclude the Public

On the motion of Mr Wilson and Councillor Hill the Audit, Finance & Risk Committee resolved to exclude the public from the following parts of the proceedings of the meeting:

Item 6: Treasury Update: September 2018

Item 7: Audit of Annual Report 2017/18

Item 8: Legal Update

The general subject of the matters to be discussed while the public is excluded, the reason for passing this resolution in relation to the matter, and the specific grounds under Section 48(a) of the Local Government Information and Meetings Act 1987 for the passing of this resolution is as follows:

General subject to be considered	Reason for passing this resolution	Grounds under Section 7
<p>Item 6: Treasury Update: September 2018</p> <p>Item 7: Audit of Annual Report for 2017/18</p> <p>Item 8: Legal Update</p>	<p>That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of information is necessary to:</p> <p>(h) enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities.</p> <p>(h) enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities.</p> <p>(i) enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>Section 7(2)(h)</p> <p>Section 7(2)(h)</p> <p>Section 7(2)(i)</p>

This resolution was made in reliance on Section 48(1)(a) 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 or Section 6 or Section 7 or Section 9 of the Official Information Act 1982 as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as shown above with respect to each item.

It was also resolved that Miles O'Connor (Bancorp) be permitted to remain at this meeting, after the public has been excluded, because of his knowledge of *Item 6: Treasury Update September 2018*. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because Mr O'Connor represents Council's independent Treasury advisors, Bancorp.

It was also resolved that Brett Tomkins and Anthony Smith (Deloitte) be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of *Item 7: Audit of Annual Report for 2017/18*. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because Mr Tomkins and Mr Smith represent Council's auditors, Deloitte.

The meeting moved into public excluded at 10.31am

The meeting moved out of public excluded and concluded at 11.33am.

Confirmed as a True and Correct Record:

Chairperson

Date
