

Komiti o te Mōrearea me te Tūmaru | Risk & Assurance Committee



Mēneti Wātea | Open Minutes



Minutes of an ordinary meeting of Komiti o te Mōrearea me te Tūmaru | Risk & Assurance Committee held in the Council Chambers, 35 Kenrick Street, TE AROHA on Tuesday 13 June 2023 at 9.00am.

Ngā Mema | Membership

Tiamana | Chairperson

Jaydene Kana

Independent Member

Joanne Aoake

Koromatua | Mayor

Adrienne Wilcock, JP

Koromatua Tautoko | Deputy Mayor

James Thomas

Kaunihera ā-Rohe | District Councillors

Bruce Dewhurst

Kevin Tappin

Gary Thompson

Ngā whakapāha | Apologies

Kaimahi i reira | Staff Present

Name	Title	Item No.
Don McLeod	Chief Executive Officer	
Stephanie Hutchins	Governance Support Officer	
Sandra Harris	Placemaking and Governance Team Leader	
Niall Baker	Policy Team Leader	7.2, 7.2, 8.1
Ally van Kuijk	District Planner	8.3
Dennis Bellamy	Group Manager Community Development	8.4
Daniel Kruger	Building Control Manager	8.4
Sarah Jones	Building Control Administration and Quality Officer	8.4
Kelly Reith	People, Safety and Wellness Manager	8.5, 8.6
Larnia Rushbrooke	Finance and Business Services Manager	8.2, 8.8, 8.9
Kate Stevens	Safety and Wellness Team Leader	8.11
Manaia Te Wiata	Group Manager Business Support	8.2, 8.7, C1
Roger Lamberth	Property and Community Projects Manager	8.7

I reira | In Attendance

Name	Position/Organisation	Item	Time In	Time Out
René Van Zyl	Director, Audit New Zealand		9.00am	10.19am

1 Whakatūwheratanga o te hui | Meeting Opening

Chair Jaydene Kana welcomed members and staff and declared the meeting open at 9.01am. Cr Bruce Dewhurst attended the meeting via Microsoft Teams.

2 Karakia

Gary performed the opening Karakia

3 Ngā whakapāha/Tono whakawātea | Apologies/Leave of Absence

There were no apologies or leave of absence.

4 Pānui i Ngā Take Ohore Anō | Notification of Urgent/Additional Business

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“An item that is not on the agenda for a meeting may be dealt with at that meeting if-

- (a) *The local authority by resolution so decides; and*
- (b) *The presiding member explains at the meeting, at a time when it is open to the public,-*
 - (i) *The reason why the item is not on the agenda; and*
 - (ii) *The reason why the discussion of the item cannot be delayed until a subsequent meeting.”*

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

“Where an item is not on the agenda for a meeting -

- (a) *That item may be discussed at that meeting if-*
 - (i) *That item is a minor matter relating to the general business of the local authority; and*
 - (ii) *the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but*
 - (iii) *no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.”*

5 Whākī pānga | Declaration of Interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

6 WHAKAAETANGA MĒNETI | CONFIRMATION OF MINUTES

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

THAT THE MINUTES OF THE MEETING OF THE ORDINARY MEETING OF KOMITI O TE MŌREAREA ME TE TŪMARU | RISK & ASSURANCE COMMITTEE HELD ON TUESDAY, 7 MARCH 2023, BE CONFIRMED AS A TRUE AND CORRECT RECORD OF THE MEETING.

RESOLUTION NUMBER YV/2023/00001

MOVED BY: CHAIR J KANA

SECONDED BY: J AOAKE

KUA MANA | CARRIED

NGĀ PŪRONGO O NGĀ ĀPIHA | OFFICER REPORTS

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TAKE MATATAPU | PUBLIC EXCLUDED

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7 Pūrongo me whakatau | Decision Reports

7.1 Chair's Update

CM No.: 2726316

Rāpopotonga Matua | Executive Summary

Risk and Assurance Committee Chairperson, Jaydene Kana, in attendance to present the Chair's Update report (attached).

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The information be received.

Resolution number YV/2023/00002

Moved by: Cr G Thompson

Seconded by: Mayor A Wilcock

KUA MANA | CARRIED

Ngā Tāpiritanga | Attachments

- A. MPDC - RAC - Chairperson Report - June 2023

Ngā waitohu | Signatories

Author(s)	Stephanie Hutchins Governance Support Officer	
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Approved by	Sandra Harris Placemaking and Governance Team Leader	
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7 Pūrongo me whakatau | Decision Reports

7.2 Annual Plan 2023/24 update

CM No.: 2724632

Rāpopotonga Matua | Executive Summary

The purpose of this report is to provide information to the Risk and Assurance Committee on the draft Annual Plan 2023/24. The Annual Plan is Council's budget for the financial year 1 July to 30 June.

Consultation was open from 8 May to 26 May 2023.

A hearing and deliberations will be held on 7 June 2023. The final Annual Plan will be formally adopted by Council on 28 June and will apply from 1 July 2023.

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The report on the Annual Plan hearings and deliberations be received.

Resolution number YV/2023/00003

Moved by: J Aoake

Seconded by: Deputy Mayor J Thomas

KUA MANA | CARRIED

Horopaki | Background

Council produce an Annual Plan in the years where a Long Term Plan is not required. The Annual Plan highlights any changes or variances from the Long Term Plan for the coming year. If the proposed Annual Plan does not include significant differences from the content of the Long Term Plan for that year then Council are not required to consult the community on it.

Council previously discussed the draft Annual Plan budgets in December 2022. Since then there have been changes to government policy timeframes and updated financial information (including inflationary pressures) which Council has given consideration to.

At its meeting on 3 May 2023, Council resolved to consult on the draft Annual Plan, approving a Consultation Document for this purpose.

The significant changes and drivers for these are set out in the Annual Plan Consultation Document 2023/24 (attached).

Ngā Take/Kōrerorero | Issues/Discussion

Consultation for the draft Annual Plan was open from 8 May 2023 until 26 May 2023.

At the time of writing this report, a number of individuals/organisations had requested to present their submissions to Elected Members at the hearing to take place on 7 June 2023.

Mōrearea | Risk

The budget is prepared using the best available information. There are many macro-economic factors that can impact on operating costs.

Ngā Whiringa | Options

The draft Annual Plan Consultation Document presented the following options:



What we're proposing

We're proposing to proceed with the 16.9% rates increase for all the reasons outlined in this document. You can also view the draft Annual Plan in full and use our online interactive tool to explore the budget in more detail at mpdc.nz/annualplan.

We believe this draft budget strikes a balance - it includes a number of cut backs, as well as some risks in how we manage our finances to keep rates down, but it also means we can continue to deliver all our existing services and make progress on projects that are already under way.

We know that 16.9% is a massive increase - but we're also wary of deferring any more costs, as prices only go up.



What are the alternatives?

There are a few areas that we could partially fund or take greater risks (we've provided examples of this throughout this document), however, we don't believe these options would be financially responsible. They would only make overall rates increase slightly smaller (lowering it to around 14.6%), and are likely to cause problems or even bigger increases in years to come.

If you think that those risks are worth taking and that we should kick these costs to the future for the sake of saving 2.3% this year, then we want to know about it.

If you can think of anything else we haven't considered to make significant savings that can be implemented as soon as 1 July (noting that we legally can't make drastic service cuts without a lengthy Long Term Plan review) then we'd also love to hear your ideas.

Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

Section 95 of the Local Government Act 2002 states that if the proposed Annual Plan does not include significant or material differences from the content of the Long Term Plan for the financial year it relates to then Council does not need to consult.

If Council determines there are significant or material differences then Consultation Document must be prepared and adopted. The Consultation Document must explain identified differences. This includes:

- an explanation of any significant or material variations from the financial statements or the funding impact statement
- a description of significant new spending proposals, the costs associated with those proposals, and how these costs will be met
- an explanation of any proposal to substantially delay, or not proceed with, a significant project, and the financial and service delivery implications of the proposal.

Consultation must be conducted in a manner that gives effect to the requirements of section 82 which are the principles of consultation. This includes

- providing access to information to those that may be affected
- providing an opportunity to present views in an appropriate manner and format
- providing information on the purpose and the scope of decisions
- having an open mind and giving due consideration
- providing relevant decisions to those affected.

Ngā Pāpāhonga me ngā Wātaka | Communications and timeframes

The timeline is set out below:

- Consultation Document and underlying information adopted for consultation - 3 May
- Consultation open 6 - 26 May
- Council Meeting – Hearing 7 June
- Council Meeting – Adoption 28 June

Consultation has include newspaper advertising, information on Councils website and facebook page, e-newsletters, attendance at various community events and meetings etc.

Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes and consistency with Council Vision

Theme: Healthy Communities

Community Outcome: We encourage community engagement and provide sound and visionary decision making

Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

Council has a budget of \$10,000 for production of the Annual Plan.

Ngā Tāpiritanga | Attachments

A. Annual Plan 2023-24 Consultation Document

Ngā waitohu | Signatories

Author(s)	Niall Baker Policy Team Leader	
Approved by	Erin Bates Strategic Partnerships and Governance Manager	
	Don McLeod Chief Executive Officer	

7 Pūrongo me whakatau | Decision Reports

7.3 Forecasting Assumptions - Long-Term Plan 2024-34

CM No.: 2724836

Rāpopotonga Matua | Executive Summary

The purpose of this report is to seek Council review of the draft Forecasting Assumptions for the Long Term Plan (LTP) 2024-34.

Council is required to prepare and adopt an LTP under the Local Government Act 2002 (LGA) every three years.

The draft forecasting assumptions are attached along with a paper from the Office of the Auditor General. This highlights key considerations for elected members, who need to ensure the best judgement and available data is applied to the assumptions used to prepare the LTP.

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The information be received.
2. The Committee reviewed the Significant Forecasting Assumptions for the Long-Term Plan 2024-34 and provided feedback.

Resolution number YV/2023/00004

Moved by: Cr G Thompson

Seconded by: Cr K Tappin

KUA MANA | CARRIED

Horopaki | Background

Introduction

The significant forecasting assumptions are a key building block to the LTP. A forecasting assumption is a fact or circumstance that Council accepts as true as it develops the LTP.

The LTP assumptions actively demonstrate a long-term focus, but as the past and present constrains the future this piece also demonstrates that the LTP is grounded in the present. An LTP will be driven off a wide range of assumptions. Two groups of **assumptions that are critical include assumptions about growth, and assumptions about climate change.**

Growth has three components, population growth, growth in the rating base (numbers of rating units and the size of the rating base) and growth in economic activity. These are quite different and can have different impacts. For example, some Councils have experienced depopulation but have also experienced growth in the forestry industry and accelerated demand for bridge and pavement replacement to cope with increased volumes of high axle weight traffic etc. Growth or decline in population or economic activity does not always have a linear relationship to changes in the level of demand for a service. The two should not be conflated.

As part of the LTP process, we need to weave future scenarios and assumptions regarding climate change and its impacts on the community into our plans. This includes weaving together assumptions about matters such as the frequency and severity of adverse weather events – with effects on the council (e.g. impacts on the network infrastructure) and the community (e.g. impacts in the local economy).

Why are forecasting assumptions and risk analysis so important?

Forecasting assumptions are one of the building blocks of the LTP. This is an area ‘armchair expert’ readers will pay attention to, and their views on the quality of the assumptions will shape their views on the LTP.

Council's LTP forecasting assumptions must be:

- realistic
- evidence-based - especially where assumptions are outside industry norms • internally consistent with other assumptions
- applied consistently across the LTP and supporting documents (unless there is good reason not to and the difference in treatment and reason are both explained).

The LTP must identify all significant forecasting assumptions and risks underlying the financial estimates and, where there is a high level of uncertainty associated with particular assumptions, Council is required to set out the level of uncertainty and quantify the potential effect of the uncertainty on the financial estimates.

The appointed auditor is required to express a view on the quality of the forecasting assumptions in their Audit report on both the consultation document and the LTP proper.

Ngā Take/Kōrerorero | Issues/Discussion

The draft assumptions are attached to this report.

It will be necessary to periodically review the assumptions to ensure that they still represent the best available information. This will be particularly important in the fluid policy and legislative environment and economic situation that form the backdrop to the 2024 LTP

There are a number of reviews and reforms progressing throughout the 2024 LTP process that could radically alter the direction of the LTP. Planning for contingencies will be critical in this LTP. Any reasonable assumption of future price change is better than no assumption (which effectively is assuming zero price change).

Where do the forecasting assumptions get presented in the LTP?

Disclosures about assumptions are listed as required contents in several places in the LTP for example in the infrastructure strategy.

This does not necessarily mean multiple disclosures are required throughout the LTP. It is possible that some assumptions, such as the growth, demand, reform and climate change assumptions (or to be more accurate the council's response to these) could be significant enough to be key issues for inclusion at the front of the LTP.

Growth projections

Up-to-date growth projections are required to assist Council in planning for its services and facilities (e.g. through updating activity plans and capital works programmes) and the funding of those services and facilities. Council typically reviews its growth projections every three years as part of the Long Term Plan process to ensure use of the most up-to date and accurate data available.

Council reviews the District's population projections every three years in line with the Long Term Plan (LTP). This ensures that our long term planning is based on the best available information at the time of developing our capital works program and financial forecasts. Waikato Regional Council coordinates the regional projections via Te Ngira: Institute for Population Research.

These are used by all Future Proof councils (Waikato RC, Waikato DC, Hamilton City, Waipa DC and MPDC). Regional projections are based on the latest available Census data (reviewed every five years) and informed by the latest land use projections.

The Te Ngira projections represent a robust, consistent, accessible, and shared evidence-base to support planning and decision-making in the Waikato region. The projections use 2018 as the base year (the 2023 census information is not yet available) and have a 50-year horizon to 2068.

The demographic, economic, and land use projections include labour force, households, employment, value-added, and land use at regional, city/district, and Statistical Area 2 (SA2, about 3,000 – 6,000 people) level at annual intervals.

Growth Projections - need for growth projections

The Census is an important information source as it is literally the only source that presents information with any degree of accuracy for geographic areas smaller than a territorial authority. Council uses the projections data:

- to develop its forecasts of growth and demand for our services – these assumptions underpin our financial strategy, all of our asset and activity planning, and through those plans, our Long Term Plan,
- to inform the infrastructure strategy which requires consideration of population levels, land-uses, and rating unit growth for 30 years.
- as an information source in its monitoring of the achievement of council's community outcomes as required by the Local Government Act (there is a requirement to put any monitoring we do in the Annual Report).
- to develop its policy on development contributions – where significant errors in the available data could result in significant under-recovery of funds from the development community with flow on effects on Council rates
- to set the basis for developing our other strategies and policies
- to inform land-use planning - predominantly Councils District Plan
- to inform relevant policies and strategies, and asset management planning.

These projections are key assumptions that underpin our asset and activity planning, and through those plans, our LTP.

Mōrearea | Risk

All assumptions carry uncertainty. Where there is a high level of uncertainty, Council must state why. An estimate of the potential effects on the financial assumptions must also be provided. The level of uncertainty is determined by the likelihood of occurrence and the financial materiality.

This means there will be a variation in the levels of reliability in the forecasting for our plan. We have made a number of significant assumptions in preparations of the financial forecasts.

The assumptions are based on industry advice and best practice:

- Financial information has been prepared on best estimate assumptions regarding the potential for future events, economic shifts, and the local environment.

- Forecast cost indices will be based on advice from Business and Economic Research Limited (BERL) who forecast price level change indices adjusters for councils to use in long-term plans. These are used for both operating and capital budgets, based on a medium term view.
- Other assumptions have considered information from Te Ngira: Institute for Population Research (formerly NIDEA) and Statistics New Zealand.

Some of the proposed forecasting assumptions are more uncertain or provide greater risk than others. The key is to ensure this uncertainty and risk is adequately explained appropriately in the LTP. Key assumptions involving higher levels of risk may include:

- Assumptions about Council's delivery of water and wastewater services. It is uncertain as to exactly when the proposed three waters reforms will take effect, and based upon our current understanding of timelines, where central government have signalled transition to new entities by July 2026, but may be earlier. This means that the LTP is currently being based on the assumption that Council will continue to provide water and wastewater services – at least for the next few years;
- Assumptions about a changing climate - the impact on council's operations, service levels, and planned responses;
- Implementing new or known changes to regulation/legislative reform such as resource management.

Ngā Whiringa | Options

There are some options around what significant assumptions Council discloses in the LTP and what its response is.

Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

Schedule 10 of the Local Government Act 2002 requires that the Council identifies the significant forecasting assumptions and risks underlying the financial information set out in the LTP.

Where there is a high level of uncertainty the Council is required to state the reason for that level of uncertainty and provide an estimate of the potential effects on the financial assumptions. The level of uncertainty can be determined by reference to both the likelihood of occurrence and the financial materiality.

Ngā Pāpāhonga me ngā Wātaka | Communications and timeframes

Process

- 31 May - Council workshop discussion on forecasting assumptions
- 13 June – Risk and Assurance meeting
- 28 June - Council to adopt forecasting assumptions (date to be confirmed).

There is no public communications planned around these significant forecasting assumptions. They will be incorporated into the LTP 2024-34.

Ngā take ā-lhinga | Consent issues

There are no consent issues.

Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes and consistency with Council Vision

Key community outcomes:

Connected Infrastructure

- Infrastructure and services are fit for purpose and affordable, now and in the future.
- Infrastructure and services are fit for purpose and affordable, now and in the future.

Economic Opportunities

- Our future planning enables sustainable growth in our District.
- We encourage community engagement and provide sound and visionary decision making.

Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

This work is covered within the LTP project budget.

Ngā Tāpiritanga | Attachments

- A. OAG guidance - forecasting assumptions
- B⇒ LTP 2024-34 Significant Forecasting Assumptions - Draft Version 1 (*Under Separate Cover*)
- C⇒ Population Projections for LTP 2024-34 (*Under Separate Cover*)

Ngā waitohu | Signatories

Author(s)	Niall Baker Policy Team Leader	
Approved by	Erin Bates Strategic Partnerships and Governance Manager	

5 Ngā Pūrongo Whakamārama | Information Reports

5.1 Adoption of Annual Report 2021/22

CM No.: 2724815

Rāpopotonga Matua | Executive Summary

The Local Government Act 2002 (LGA) requires Council to adopt its Annual Report and Summary by 31 October each year. However the Annual Report for 2021/22 was presented late for adoption due to the impacts of Covid and the workload pressures on our Auditors which has extended the Audit process.

Audit Director, René Van Zyl of Audit New Zealand was in attendance at the adoption of the Annual Report at the Council meeting on 26 April to present the audit opinion for the Annual Report.

This report covers the following items;

- a. the Annual Report and Summary 2021/22
- b. the Audit Opinions for the Annual Report and Summary 2021/22
- c. the warrant of fitness for the Annual Report and Summary 2021/22
- d. the letter of representation for the Annual Report and Summary 2021/22
- e. the misstatement schedule from the Annual Report final audit
- f. the Auditor's Independent Assurance Report for the Debenture Trust Deed
- g. the letter of representation for the Debenture Trust Deed

Also attached to this report is the draft timeline for the 2022/23 Annual Report and Audit Engagement Letter. René Van Zyl will be in attendance to provide an update.

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The following documents be received:

- a. the Audit Opinions for the Annual Report and Summary 2021/22
- b. the warrant of fitness for the Annual Report and Summary 2021/22
- c. the letter of representation for the Annual Report and Summary 2021/22
- d. the misstatement schedule from the Annual Report final audit
- e. the Auditor's Independent Assurance Report for the Debenture Trust Deed
- f. the letter of representation for the Debenture Trust Deed
- g. the Annual Report and Summary 2021/22
- h. the 2022/23 Annual Report timeline

Resolution number YV/2023/00005

Moved by: Deputy Mayor J Thomas

Seconded by: Cr K Tappin

KUA MANA | CARRIED

Horopaki | Background

The LGA requires Council to adopt the Annual Report and Summary by 31 October each year. Due to COVID-19 there was an extension provided under legislation until 31 December 2022. Workload pressures experienced by our Auditors has also meant that the 2021/22 Annual Report was presented late for adoption on 26 April as the Audit process was extended.

Preparations for the 2022/23 Annual Report are currently underway. Due to the late adoption of the previous year's Annual Report, Audit has created tighter deadlines for the audit of the 2022/23 Annual Report. The revised timeframes are reflected in the attached timeline.

Ngā Take/Kōrerorero | Issues/Discussion

The Warrant of Fitness (WOF) which is attached to this report has proven to be a useful tool for staff to check that significant matters have been considered in the preparation of the Annual Report. It is intended to provide some assurance to Council in this regard.

The Warrant of Fitness section 13 is to be completed by elected members.

The representation letters, sets out the Council's responsibilities under the LGA to report on the Council's financial position and activities; and quality of information presented in the Annual Report and Annual Report Summary.

The letters provides assurances to Audit in relation to the following requirements, which to the best of their knowledge, Council are of the opinion have been met:

- General responsibilities relating to the Councils actions
- Responsibilities for the financial statements and the statement of service performance
- Responsibilities to provide information
- Confirmation that Council is a going concern
- Responsibilities for the information presented in the Annual Report Summary
- Publication of information on our website.

The schedule of misstatements circulated separately, sets out the errors noted by Audit and those changes identified by staff in their QA process. Staff will be in attendance to discuss these with Council. Council's auditors will also be able to provide their view on the nature of the misstatements. Council should note that all misstatements as listed have been corrected, unless stated otherwise.

In regards to the 2022/23 Annual Report, Audit has proposed a shorter timeframe for the Audit process. Audit has asked that staff have the draft Annual Report prepared by the 11th of September 2023.

Due to the short timeframe allotted for the Audit process and internal constraints, there will be two interim audits. The first interim audit is from 12 June – 23 June, and the second audit is from 24 July – 4 August. This audit will focus on MPDC's trail balance and general ledger up to 30 June. There will also be a pre-final audit from 28 August to 8 September, which will require staff to provide draft financials and performance measure results.

One of the primary reasons for having two interim audits is due to a current shortage of valuers, hence asset valuations will be provided later in the pre-final audit.

Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

- There are no legal or policy issues.
- The Annual Report measures our performance against the Long Term Plan 2021-31.

Ngā Pāpāhonga me ngā Wātaka | Communications and timeframes

The Annual Report and its Summary was adopted by Council 26 April 2023. The adopted documents will be made public on the Council website within one month of adoption, and publicly notified in the local newspapers.

Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes and consistency with Council Vision

Council Vision

The Annual Report monitors progress towards all our community outcomes.

Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

The production of the Annual Report and Summary has a budget of \$7,000. Annual Report audit fees have a budget of \$125,000.

ii. Funding Source

The Annual Report cost is provided for within the Strategies and Plans activity budgets. The Annual Report and audit are funded from general rates.

Ngā Tāpiritanga | Attachments

- A. Annual Report Summary 2021-2022 Signed 26 April 2023
- B. [ANNUAL REPORT 2021/22 \(Under Separate Cover\)](#)
- C. [Warrant of Fitness \(WOF\) - Financial - Annual Report 2021 22 \(Under Separate Cover\)](#)
- D. [Finalised Legislative Warrant of Fitness Compliance \(WOF\) 2021-22 Updated 22 April 2023 \(Under Separate Cover\)](#)
- E. [Debenture Trust Deed Representation Letter \(Under Separate Cover\)](#)
- F. [SAR Letters of REP \(Under Separate Cover\)](#)
- G. [AR Letters of Rep \(Under Separate Cover\)](#)
- H. [MPDC Limited independent assurance report - Debenture Trust Deed \(Under Separate Cover\)](#)
- I. Annual Report 2022-23 Timeline
- J. [Audit Engagement Letter - MPDC \(Under Separate Cover\)](#)

Ngā waitohu | Signatories

Author(s)	Christa Kurian Graduate Policy Advisor	
Approved by	Niall Baker Policy Team Leader	
	Erin Bates Strategic Partnerships and Governance Manager	

8 Ngā Pūrongo Whakamārama | Information Reports

8.2 Draft report to Council on the Audit for the year ended 30 June 2022

CM No.: 2726175

Rāpopotonga Matua | Executive Summary

Audit New Zealand have recently provided a draft report to management on the audit for the year ended 30 June 2022. At the time of writing, staff have not had an opportunity to discuss the Auditors' initial findings and assessments and make comment on these. So the draft is provided for information only at this point with the intention of discussing any progress on this report at the meeting,

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The draft report be received

Resolution number YV/2023/00006

Moved by: Chair J Kana

Seconded by: Cr G Thompson

KUA MANA | CARRIED

Horopaki | Background

The draft report was provided to Council staff on 17 May, however due to other priorities, at the time of writing, staff have not had an opportunity to discuss the initial findings set out in the draft report amongst ourselves and with Audit New Zealand, and provide appropriate comment on the matters raised.

Staff felt it was appropriate to share the report with the Committee in it's very raw form however, given we are due to make a start on our next Annual Report and audit before the Committee's next scheduled meeting.

Staff intend to table and discuss the progress with the report at this meeting.

Ngā Tāpiritanga | Attachments

[A⇒](#) Draft Report on the audit for the year ended 30 June 2022 - received 17 May 2023 (*Under Separate Cover*)

Ngā waitohu | Signatories

Author(s)	Larnia Rushbrooke Finance and Business Services Manager	
Approved by	Manaia Te Wiata Group Manager Business Support	

5 Ngā Pūrongo Whakamārama | Information Reports

5.3 Food Act 2014 Quality Management System Recognition Approval

CM No.: 2720394

Rāpopotonga Matua | Executive Summary

The introduction of the Food Act 2014 changed the way that food premises were licensed as it went from an inspection regime to verification auditing. It also required Councils to be accredited to undertake verification services for National Programmes. In 2019, Council achieved our first QMS accreditation and was subsequently deemed a recognized agency. In April 2021 and February 2022 we passed our interim Surveillance Assessments.

In December 2022 we were audited by IANZ for our three yearly reassessment and as reported to the Risk & Assurance Committee on 7 March 2023 we received one non conformity. This report is to advise that this non conformity has now been closed out.

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The information be received

Resolution number YV/2023/00007

Moved by: J Aoake

Seconded by: Cr K Tappin

KUA MANA | CARRIED

Horopaki | Background

The introduction of the Food Act 2014 (Act) changed the way food premises were licensed as it went from an inspection regime to a verification auditing. The Act promotes food safety by focusing on the processes of food production, not the premises where food is made. For example, someone who makes and sells food from a food truck must follow the same rules as someone who makes and sells food at a restaurant. It also required all food businesses to be registered with the local authority or the Ministry for Primary Industries (MPI).

All food businesses have transitioned from an inspection system under the Food Hygiene Regulations 1974 to an audit system pursuant to the Food Act 2014. Council has sole rights to audit food control plans however the audit of national programmes is contestable. Accreditation as a recognized agency was required to compete in this market and to offer a local service to our community.

The difference between food control plans and national programmes are:

- Food control plans (FCPs): Written plans for managing food safety on a day-to-day basis. These are used by higher-risk businesses.
- National programmes: A set of food safety rules for medium and low-risk businesses. If you're under a national programme, you don't need a written plan (or develop written procedures), but must register, meet food safety standards, keep some records, and get checked.

To date MPI has appointed JAS-ANZ and IANZ to assess all agencies against the requirements of the Act. To become a recognised agency pursuant to section 135 of the Food Act 2014 an agency must meet the requirements of Part 4 of the Food Regulations 2015 – Recognised agencies,

persons, and classes of persons. This process allows MPI to check that they meet the same standards that they would apply if they were doing the checks. Our audits have focused on having a robust quality management system containing all the requirements set out in Regulation 110 that apply to a quality management system for the purposes of these regulations.

In December 2022, we were audited by IANZ for our three yearly reassessment and as reported to the Risk & Assurance Committee on 7 March 2023, we received one non conformity. This report is to advise that this non conformity has now been closed out.

Recognition Approvals are undertaken every three years with a yearly Surveillance Audit carried out every year.

Matamata-Piako District Councils, Ministry of Primary Industries Recognition Approval (copy attached) is valid until 31 March 2026. Our next Surveillance Audit is due 31 March 2024.

Ngā Whiringa | Options

That the information be received.

Ngā Tāpiritanga | Attachments

- A. CAR Clearance Letter IB (ID 665319)
- B. C002669_AUD277_Cert_20221223 -Notice of recognition

Ngā waitohu | Signatories

Author(s)	Cathy Bjerring Planning & Environmental Health Admin Officer	
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Approved by	Ally van Kuijk District Planner	
	Dennis Bellamy Group Manager Community Development	

The meeting adjourned for morning tea at 10.19am and reconvened at 10.38am.

5 Ngā Pūrongo Whakamārama | Information Reports

5.4 Building Control Authority - IANZ Assessment 2023

CM No.: 2724056

Rāpopotonga Matua | Executive Summary

The Building Consent Authority (BCA) Accreditation Scheme sets out the minimum policies, procedures and systems that a building consent authority must have, and consistently and effectively implement, to perform its building control functions.

International Accreditation New Zealand (IANZ) has been appointed by the Ministry of Business, Innovation and Employment (MBIE) to assess all BCA's, to ensure compliance with the Building (Accreditation of Building Consent Authorities) Regulations 2006.

IANZ undertook an on-site assessment of Council's BCA during 28 February to 3 March 2023. A copy of their report is attached.

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The information be received.

Resolution number YV/2023/00008

Moved by: J Aoake

Seconded by: Cr K Tappin

KUA MANA | CARRIED

Horopaki | Background

The Building Act 2004 (the Act) requires that a territorial authority must act as a BCA for its district and gain both accreditation and registration to carry out building control functions (i.e. processing applications, inspections, and certifying). The Act requires the Chief Executive of MBIE to specify the minimum frequency of accreditation assessments in the New Zealand Gazette. The Act requires that some form of accreditation assessment must be undertaken at least once every three years. The Gazette notice however, narrows this timeframe to two years.

International Accreditation New Zealand (IANZ) was appointed by the Ministry of Business, Innovation and Employment (MBIE) to assess all BCA's.

Failure to meet the requirements of an assessment may lead to a BCA having their accreditation revoked and unable to carry out building control functions in their district.

The objectives of the BCA accreditation scheme are that all building consents authorities have:

- appropriate, documented and implemented policies, procedures and systems
- appropriate, documented and implemented effective quality assurance systems
- sufficient skills and resources to undertake their statutory functions
- employees and contractors with appropriate building control competencies and qualifications.

Ngā Take/Kōrerorero | Issues/Discussion

Assessment

The full on-site assessment by IANZ included a team of technical experts auditing: the BCA's quality assurance system, policies and procedures; a number of completed building consents, code compliance certificates, compliance schedules, and 'in the field' building inspections.

A formal report was then produced determining compliance or otherwise with the Building (Accreditation of Building Consent Authorities) Regulations 2006 and advising the BCA of any non-compliances and/or recommendations that are required to be met. The full assessment report is attached.

The Lead assessor noted in the report that the BCA

"had maintained improvements made following the previous special and routine assessments in areas such as allocations, forecasting, training, technical records, supervision and continuous improvement records, amongst others" and that. "During the assessment, the BCA were enthusiastic towards getting the most out of the assessment process and discussed plans to address non-compliances, as well as successfully clearing some parts of non-compliances. The BCA had also recruited a new building control administration and quality officer in 2022, and her positive contribution could be seen throughout the continuous improvement processes".

They also noted that

"there were no serious concerns about the BCA's technical output".

Findings

The BCA received 2 serious non-compliances, 3 general non-compliances, 10 recommendations and 5 advisory notes. The BCA has provided an action plan, which has been accepted by IANZ. This plan details how the BCA will address the identified non-compliances. The action plan is currently under implementation with two remaining non-compliances to be cleared.

Non-Compliance definitions

- **Serious non-compliance** – is where one or more of the minimum policies, procedures and systems required by the Regulations is absent or not appropriate for purpose. Serious non-compliance may also include where a BCA has failed completely to implement one or more of the required policies, procedures or systems. Or it may be a failure to consistently and effectively implement a policy, procedure or system (or part thereof) required by the regulations over two or more assessment cycles (as was the case for the two serious non-compliances received)
- **General non-compliance** - is where a BCA has failed to consistently and effectively implement a policy, procedure or system (or part thereof) required by the regulations.
- **Recommendation** - is where the future potential for non-compliance with the policies, procedures and systems required by the Regulations is identified. No current action is required for the BCA's accreditation to continue.
- **Advisory note** - is where there is the potential to improve the required policies, procedures and systems or their implementation. No current action is required for the BCA's accreditation to continue.

Action Required

Provide the following to IANZ for review

- Action Plan required by 14 April 2023. This was submitted to IANZ and approved on the 31 March 2023
- Non-compliances to be completed and closed by 14 June 2023 – this requires evidence of corrective actions completed and implemented, as per the Action Plan submitted. All but one non-compliance has been cleared at the date of writing this report.
- The required evidence for the last non-compliance has been sent to IANZ and waiting clearance.

Next Accreditation Assessment

As the BCA has been considered to pose a medium risk, this triggers the requirement for a further assessment to be conducted within one year. The next assessment of the BCA is therefore planned as a Special Monitoring Assessment for March 2024.

If the identified non-compliances are able to be satisfactorily cleared within the agreed timeframe, the Special Monitoring Assessment is likely to be undertaken as a remote review with a scope focused on the repeat findings identified during this assessment.

This requirement for a Special Monitoring Assessment will be reviewed at the end of the clearance process and, if for any reason it is not deemed to be necessary, then the next assessment would be planned as a Routine Reassessment for March 2025.

Mōrearea | Risk

Failure to meet the requirements of an assessment may lead to a BCA having their accreditation revoked and unable to carry out building control functions in their district.

Ngā Whiringa | Options

That the information be received

Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

The cost of the Assessment is funded through the building control operations and is added as a portion to each building consent fee.

Ngā Tāpiritanga | Attachments

[A⇒](#). 2023 Matamata-Piako District Council BCA Assessment Report (*Under Separate Cover*)

Ngā waitohu | Signatories

Author(s)	Dennis Bellamy Group Manager Community Development	
Approved by	Dennis Bellamy Group Manager Community Development	

8 Ngā Pūrongo Whakamārama | Information Reports

8.5 Update on Organisational Culture

CM No.: 2727374

Rāpopotonga Matua | Executive Summary

The annual external staff survey, 'AskYourTeam' was undertaken in March and the results were once again very positive overall.

This report provides a summary of the results and highlights other areas of development related to organisational culture.

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The information be received.

Resolution number YV/2023/00009

Moved by: Mayor A Wilcock

Seconded by: J Aoake

KUA MANA | CARRIED

Horopaki | Background Staff Survey

The annual external staff survey, 'AskYourTeam' was undertaken in March. AskYourTeam is a continuous improvement tool that also allows us to benchmark with other Councils.

The results were once again very positive overall. The overall score was 67% (last year the score was 69%) and the participation rate increased to 65% from 59% the previous year.

MPDC is ranked 21st out of 54 Councils (2022 13th out of 49 Councils), and 16th out of the top 100 survey scores (league table that ranks survey overall average scores rather than organisations, in 2022 MPDC was 13th out of 100).

The highest scoring questions were culture focussed – staff enjoy working for MPDC, and think MPDC is a great place to work. It was encouraging to see a 15% increase in the number of staff that feel they can report harassment (including bullying or discrimination) without repercussions. A summary of the highest scoring questions and a comparison of results between years is below.

Question	2022	2023	Percentage increase/ decrease between 2022 and 2023
I feel that I can report harassment (including bullying or discrimination) without repercussions	81%	96%	15%
I enjoy working for MPDC	96%	95%	-1%
MPDC places an emphasis on the health and safety of its staff and customers	93%	94%	1%
MPDC is a great place to work	95%	93%	-2%
I understand clearly how the things I do affect the ability of others in my team to do their job	98%	93%	-5%
I am clear on the role I play in helping deliver what our ratepayers/community wants	95%	91%	-4%
I have the autonomy to make decisions on matters I am responsible for	93%	91%	-2%
I feel that harassment (including bullying or discrimination) is not tolerated by MPDC	87%	91%	4%
My manager/team leader shares information with me that enables me to do my job effectively	94%	90%	-4%
I am proud of the impact MPDC has on the community	90%	89%	-1%
I am aware of the Harassment (including bullying and discrimination) policy	98%	89%	-9%
MPDC cares about my overall wellbeing	90%	89%	-1%

Highest scoring questions (top 10 (3 questions with 89%)):

Question	2022	2023	Percentage increase/ decrease between 2022 and 2023
I feel that I can report harassment (including bullying or discrimination) without repercussions	81%	96%	15%
I enjoy working for MPDC	96%	95%	-1%
MPDC places an emphasis on the health and safety of its staff and customers	93%	94%	1%
MPDC is a great place to work	95%	93%	-2%

I understand clearly how the things I do affect the ability of others in my team to do their job	98%	93%	-5%
I am clear on the role I play in helping deliver what our ratepayers/community wants	95%	91%	-4%
I have the autonomy to make decisions on matters I am responsible for	93%	91%	-2%
I feel that harassment (including bullying or discrimination) is not tolerated by MPDC	87%	91%	4%
My manager/team leader shares information with me that enables me to do my job effectively	94%	90%	-4%
I am proud of the impact MPDC has on the community	90%	89%	-1%
I am aware of the Harassment (including bullying and discrimination) policy	98%	89%	-9%
MPDC cares about my overall wellbeing	90%	89%	-1%

The lowest scoring question was about learning and development. The Learning and Development budget was decreased last year, but a strategic approach to learning and development was also taken i.e. focussing on preventing bullying and harassment training, leadership development and investing in a shared learning service through Collab that is developing E-Learning on relevant topics such as child protection training and hazardous substances. There was also a theme around systems, resources and technology. A summary of the lowest scoring questions is below:

Question	2022	2023	Percentage increase/decrease between 2022 and 2023
We have the technology to effectively support our processes	32%	38%	6%
I consider our pay is fair compared to similar roles and organisations in the marketplace	31%	37%	6%
MPDC has a positive reputation with our ratepayers	23%	34%	11%
MPDC allocates resources effectively to achieve agreed outcomes	27%	32%	5%
We can quickly obtain customised reports from our information systems	25%	28%	3%
We work efficiently and effectively between different teams at MPDC	19%	28%	9%
I am regularly asked for feedback on how to improve MPDC	28%	27%	-1%
Meetings are generally an effective use of time	18%	26%	8%
All teams understand how their goals and objectives affect each other	23%	26%	3%
People are held accountable for meeting deadlines	19%	24%	5%
We have effective training that enhances the performance and development of individuals	13%	24%	11%

A plan for addressing some of the issues raised is currently being developed. This will include feedback from the Takatū Anamata| Future Ready organisation review as well and actions for improvement from the Hauora | Wellbeing Strategy once finalised.

The draft Hauora | Wellbeing Strategy is a 'strategy on a page' that has been developed based on the 'Mental Wellbeing at Work guide' from the Business Leaders' Health and Safety Forum and feedback from a focus group. The strategy is also aligned with Te Whare Tapa Whā - a model developed by leading Māori health advocate Sir Mason Durie in 1984 that describes health and wellbeing as a wharehau/meeting house with four walls and a foundation, and when all these things are in balance, we thrive. Consultation on this strategy is currently underway and will be discussed further with the Risk and Assurance Committee as part of an update on the Psychosocial Critical Risk.

Vision and Values

In 2022 we reviewed how the vision and values are promoted to staff. Managers now discuss the vision and values at their team meetings, and report to the Management Group to share examples and celebrate success.

Remaining connected

The Flexible Ways of Working Policy was reviewed in 2022, maintaining connection as an organisation was one of the concerns raised. Staff were invited to share their ideas on how the organisation can stay connected – as teams and across departments, including understanding what each team does and establishing and maintaining relationships.

An internal Communications Officer was appointed to ensure we have a strong focus on internal communication, particularly during the organisation review. This role is also tasked with promoting the vision and values, and creating opportunities for connection amongst staff.

Diversity, Equity and Inclusion

Pink Shirt Day was recently celebrated to encourage staff to stamp out bullying by celebrating diversity and promote kindness and inclusion. Staff were encouraged to have morning tea together and it was an excellent way to encourage connection amongst staff.

A diversity, equity and inclusion strategy will be developed in 2023 to ensure MPDC does inclusion well.

Developing staff capability in Te Ao Maori is also a priority.

Ngā Take/Kōrerorero | Issues/Discussion

As above

Mōrearea | Risk

Reviewing the staff climate on an annual basis ensures any issues with staff climate are identified and address.

Ngā Whiringa | Options

Not applicable.

Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

Not applicable

Ngā Pāpāhonga me ngā Wātaka | Communications and timeframes

An Internal Communications Officer has been appointed to ensure strengthened internal communication.

Ngā take ā-lhinga | Consent issues

Not applicable.

Te Tākoha ki ngā Hua mō te Hapori me te here ki te whakakitenga o te Kaunihera | Contribution to Community Outcomes and consistency with Council Vision

Not applicable.

Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

Not applicable.

Ngā Tāpiritanga | Attachments

There are no attachments for this report.

Ngā waitohu | Signatories

Author(s)	Kelly Reith People, Safety and Wellness Manager	
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Approved by	Don McLeod Chief Executive Officer	
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8 Ngā Pūrongo Whakamārama | Information Reports

8.6 Transformation Team Update

CM No.: 2725542

Rāpopotonga Matua | Executive Summary

The purpose of this report is to provide an update on work undertaken by the Transformation Team – the internal team set up to support the organisation through the current local government reform programme and MPDC's Takatū Anamata | Future Ready organisation review.

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The information is received.

Resolution number YV/2023/00010

Moved by: Chair J Kana

Seconded by: Cr G Thompson

KUA MANA | CARRIED

Horopaki | Background

The Local Government sector is undergoing significant reform and this has the potential to impact MPDC's ability to deliver both business as usual as well as the activities contained in the 2021-31 Long Term Plan. The reform agenda includes Three Waters, RMA and Future for Local Government.

The MPDC Executive Team identified that a dedicated team is required to lead the organisation through change and support the transformation process.

The team is made up of the following:

The core group:

Project Sponsors: Exec Team

People, Safety and Wellness Manager: Kelly Reith (Chair of the Group and has also been appointed to the National People and Workforce Transition Reference Group for the Three Waters Reform)

Communications Manager: Jenni Cochrane

Strategic Partnerships and Governance Manager: Erin Bates

Sub groups:

Water Reform:

Sponsor: Fiona Vessey

Project Manager(s): Karl Pavlovich / Lance Gwynne

RMA:

Sponsor: Dennis Bellamy

Project Manager(s): Ally van Kuijk / Susanne Kampshof

Future for LG:

Sponsors: Don McLeod and Manaia Te Wiata

Project Manager: Erin Bates

Specialist advice provided by (as required):

- Finance (Larnia Rushbrooke)
- Risk (Lesley Steeples)
- Information Management (Steve Hancock/Jo Gifford)
- Project Management (Rachel Norman)
- Iwi Liaison (Tuatahi Nightingale-Pene)
- Communications (Andrea Durie)

Ngā Take/Kōrerorero | Issues/Discussion

Latest update:

The Transformation Team continues to meet regularly to ensure there is an overview of all three reform areas and staff are kept well informed. This includes monitoring the impact on the organisation - ensuring risks are reviewed, the ability to maintain business as usual is monitored and any resourcing issues are raised.

Three Waters: consultation was undertaken with employees on their preliminary pathway to the new entity by the National Transition Unit (NTU) for staff that work in three waters for more than 30% of the time. MPDC undertook consultation with staff that were 29% and below as per the Alternative Consultation Process MPDC opted into. Pathway confirmation has been delayed by the April announcement of changes to the Water Services Reform programme. Staff have been kept informed by a regular e-newsletter and a hot topic zoom session. Requests for information (RFIs) have continued to be actioned. The Risk Register was reviewed and updated. NTU change management training is being offered to staff in June.

RMA – a hot topic zoom session was undertaken for staff to discuss the submission on the Spatial Planning Bill and the Natural and Built Environment Bill and latest information. The Risk Register was reviewed and updated.

Takatū Anamata | Future Ready organisation review

The Takatū Anamata | Future Ready organisation review was launched in March. This is the first major organisation review since 2011, with the objective is to make the organisation future ready. The following organisation design principles will be applied:

- Sustainable and flexible for future needs
- More effective and efficient
- Pragmatic and practical – using recognised local government practice where appropriate ie strategy, policy, operations
- Collaborative - facilitating cross-organisation processes and simplifying ways of working
- Support our journey to be customer centric and digitally enabled
- Support our ability to enhance district resilience, including partnering with others to build cultural and social capacity
- Easy to understand for our staff, citizens and other stakeholders

The organisation design process is based on co-design principles and has been split into three phases, the first phase is seeking staff and stakeholder feedback about the future, what's currently working well, what is causing gaps, issues or concerns and what we might do differently.

Workshops were held with managers, team leaders, and 130 staff attended five initial workshops, following by further workshops with some individual teams. Staff could also provide feedback through an online survey, the intranet and the staff facebook page. Staff also had the opportunity to provide feedback on organisation design through the use of an online organisation design tool.

A workshop has been held with Councillors and meetings with Iwi Trust CEOs will be held over the next couple of weeks. Other information is also being analysed such as customer feedback, performance measures and internal strategies.

The second phase will begin in late June when a high level organisation design will be proposed based on the feedback received and research into national and international exemplars. Two rounds of staff consultation will follow. A detailed organisation design will then be proposed followed by further consultation.

Risk management

David Walker, an external consultant from GHD has been engaged as the Project Manager to develop the high level and detailed organisation designs and analyse all feedback received. This ensures a robust external process.

The Project Sponsor, Kelly Reith is ensuring the corporate project management framework is applied, change management principles are being considered and employment processes are adhered to.

The Communications Manager, Jenni Cochrane and Internal Communications Officer Matthew Beveridge are ensuring staff are kept informed throughout the process and providing advice on engagement.

A risk register is maintained and updated regularly, including identified controls for dealing with any risk to business as usual. The register was also updated to reflect the risk following the Three Waters Reform changes.

Mōrearea | Risk

Risk registers have been set up for each of the reform areas, with input from MPDC's Risk Manager.

Ngā Whiringa | Options

The formation of this group proactively responds to the need to guide the organisation through the local government reform changes.

Ngā take ā-ture, ā-Kaupapahere hoki | Legal and policy considerations

The reforms will impact across the organisation.

Ngā Pāpāhonga me ngā Wātaka | Communications and timeframes

The Communications Manager is part of the Transformation Team to ensure robust communications. The Internal Communications Coordinator ensures information is shared with staff on a regular basis.

Ngā take ā-lhinga | Consent issues

Not applicable.

Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

Not applicable.

Ngā Tāpiritanga | Attachments

There are no attachments for this report.

Ngā waitohu | Signatories

Author(s)	Kelly Reith People, Safety and Wellness Manager	
Approved by	Don McLeod Chief Executive Officer	

8 Ngā Pūrongo Whakamārama | Information Reports

8.7 Review of Council Insurance

CM No.: 2725287

Rāpopotonga Matua | Executive Summary

The Audit & Risk Committee work programme includes the review of Council's insurance arrangements.

The type and extent of cover has not changed from 2022.

This report provides information to the Risk and Assurance Committee (the Committee) to allow it to consider and answer the following questions:

- Does Council have the appropriate types of insurance?
- Is the cover adequate?

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The information be received.

Resolution number YV/2023/00011

Moved by: Deputy Mayor J Thomas

Seconded by: Cr K Tappin

KUA MANA | CARRIED

Horopaki | Background

The Committee reviews the insurance programme annually.

The Controller and Auditor General published a report in June 2013 – Insuring Public Assets.

The report states that public entities need to consider six questions when considering insurance. These questions are included under the Issues section below.

As a member of the Waikato Local Authorities Shared Services (WaiLASS), Council places most of its insurance through AON insurance brokers (AON). The exception is liability insurance.

Liability insurance is provided through Marsh (formally Jardine Lloyd Thompson Limited (JLT)). This is currently under review.

The Insurance classes and annual premiums are included in the tables below.

AON Brokerage	2021/2022	2022/2023	% Increase
Material Damage Buildings	\$438,064.71	\$501,615.96	14.51%
Employers Liability	\$ 1,224.00	\$ 1,228.45	0.36%
Motor Vehicles	\$ 46,369.46	\$ 68,336.56	47.3%

Infrastructure (Utilities)	\$ 83,836.62	\$ 102,334.09	22.1%
Statutory Liability	\$ 6,206.00	\$ 6,518.59	5.0%
Crime (Fidelity)	\$ 21,005.99	\$ 23,257.00	10.72%
Cyber	\$ 13,742.91	\$ 19,000.00	38.25%
UAV (drone)	\$ 1,386.67	\$ 1,627.66	17.38%
Total	\$611,836.36	\$723,918.31	
Marsh Ltd (ex JLT)			
Public Liability	combined	combined	
Professional Indemnity	\$83,688.67	\$110,986.49	32.6%
Grand Total	\$695,525.03	\$834,904.80	20.0%

Ngā Take/Kōrerorero | Issues/Discussion

What is the assessed risk of assets not being available to provide public services in the future, and what is the most appropriate way to manage it?

Natural disaster is the main source of risk that could have widespread impact on Council assets and the availability of public services.

AON assessed the extent of asset disruption in financial terms at a high level a number of years ago.

It was estimated that a large loss would cause \$25-\$35 million of damage to assets. This would be an infrequent event. A more likely scenario for Council was a loss of \$5-\$8 million. This is based on average assumptions (i.e. average ground conditions, average material type) and Council's spread of assets. Our risk profile is helped that our urban centres are spread across the district. Whereas a city will have a higher concentration of assets.

The values from that assessment are now quite dated and need to be revisited. If we adjusted the figures by a conservatively high figure of say 100%, Council's losses from a large event could be \$50-\$70 million. Based on the modelling undertaken the losses would more likely be in the order of \$10-\$16 million.

Council's insurance cover reflects the current state of knowledge which is also informed by:

- Asset Management Plans for infrastructure, community facilities and buildings
- Business Continuity plans that have been developed for water, wastewater and solid waste.
- The Waikato Lifelines Utilities group (WLU). This group has the mission to "*enhance the connectivity of lifelines utility organisations across agency and sector boundaries in order to improve infrastructure resilience*". Council is a member of the group.

Weather events and other incidents in our district have provided some test of our asset resilience (eg flooding preventing road access to some properties).

There is still considerable scope for improvement in our assessment of asset resilience and contingency planning. This will be progressed through the asset management plans.

Any implications on our insurance cover will need to be considered as new information becomes available.

How well are risk assessments being done to inform decisions about insurance, including assessments of the likely costs to replace assets?

Risk assessments have not been done to inform insurance decisions. Premiums or increases in premiums have been or are the driver for consideration of insurance changes.

For example, Council considered taking insurance cover for critical bridges a number of years ago (roads and bridges are not insured). Premiums were considered to be prohibitive, especially when it was identified that the most critical bridges in our district are owned by Waka Kotahi.

There are no plans to review insurance for Three Waters asset insurance arrangements at this time.

Potential increases in material damage premiums have triggered a review of the insurance cover for some Council owned buildings. The results of this review will be reported to the Committee.

Is the right amount and nature of insurance cover being obtained to ensure that public services can continue to be delivered?

Insurance cover is based on the financial values in asset registers. Most assets are regularly revalued. The exception being furniture and equipment.

Valuations for the purposes of financial reporting can differ markedly from replacement costs arising from an event (eg earthquake).

The financial values will continue to be used as the basis of insurance values until better information is available (eg loss modelling work is undertaken).

AON has provided a schedule of the most common classes of insurance available for business in New Zealand. This is included in the attachment to this report.

Management is comfortable that with the professional oversight of AON, there are no major omissions in insurance cover.

Is insurance being acquired in the most cost-effective way?

Council acquires most of its insurance through the WaiLASS group scheme. This collective approach is considered to be more attractive to the insurance market than if Council acted on its own.

How much can be prudently borrowed to replace uninsured assets?

Council has a debt limit under the financial strategy of 150% of revenue.

The long term plan indicates that the maximum level Council's debt\revenue ratio reaches is less than 125%.

Under those financial projections, Council could borrow a minimum of \$20 million to replace uninsured assets.

Note that the long term plan is due for review.

Has the risk of all uninsured assets been assessed centrally, and is the risk being appropriately managed?

Roading assets are not insured (refer discussion above). All other assets on Council asset registers are insured.

As noted earlier in the report, we are reviewing insurance arrangements for some buildings (Material damage insurance). This has been prompted by the expectation that insurance premiums may increase significantly next financial year.

Any significant changes to insurance cover will be reported to the Committee.

Mōrearea | Risk

Insurance cover is a risk mitigation method to help facilitate the re-establishment of services or assets in the event of significant loss or damage.

Under our current insurance arrangements it is acknowledged that:

- Our insurance values for assets are based on values in the financial statements not specific insurance values
- There is considerable scope for improvement in understanding the extent of loss that could occur in a major natural disaster
- Our assessment of the appropriate insurance cover has been driven more by affordability than risk assessments.

Council's debt capacity is considered to provide a fall-back source of funding if there is a significant short-fall in insurance pay-out

Ngā Whiringa | Options

Staff will be directed by the Committee on any changes to insurance that it may consider should be investigated.

Pānga ki te pūtea, me te puna pūtea | Financial Cost and Funding Source

The amount of Council's insurance premiums is included in the background in this report.

Ngā Tāpiritanga | Attachments

A. Classes of Insurance

Ngā waitohu | Signatories

Author(s)	Manaia Te Wiata Group Manager Business Support	
Approved by	Manaia Te Wiata Group Manager Business Support	

5 Ngā Pūrongo Whakamārama | Information Reports

5.8 Committee review of accounting policies

CM No.: 2726789

Rāpopotonga Matua | Executive Summary

Staff have queried if the Committee see any benefit from the continuation of the review of accounting policies as a separate item as part of their annual work programme. Or rather than the review of policies being the Committee's responsibility, should their role be to seek assurance from qualified staff and independent experts that the policies are appropriate (in line with standards) and have been complied with.

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The annual review of Council's accounting policies is removed from the Committee's work programme.

Resolution number YV/2023/00012

Moved by: Cr K Tappin

Seconded by: Cr G Thompson

KUA MANA | CARRIED

Horopaki | Background

The Risk and Assurance Committee's work programme has historically included an annual review of Council's accounting policies. The current accounting policies (recently review for the Draft 2023/24 Annual Plan) are attached for information.

Ngā Take/Kōrerorero | Issues/Discussion

Staff have queried if the Committee see any benefit from the continuation of this review as a separate item as part of their work programme?

The thinking behind this is as follows:

- Council doesn't have great opportunity to be creative with its accounting policies, and, given Council is not subject to income tax, there are no tax benefits of doing so (as you may see in the private sector)
- The accounting policies are updated by qualified staff as part of preparing the Annual Report and/or Annual Plan, and in line with changes to accounting standards released by the New Zealand Accounting Standards Board, and following sector guidance published by Audit New Zealand.
- Audit New Zealand review Council's accounting policies on an annual basis as part of their audit.
- In the warrant of fitness document that is provided to Council and this Committee at the completion of the Annual Report, staff report on any changes to accounting policies and compliance with accounting standards.

- Given the technical nature of accounting policies, it may be unfair to expect the Committee to have responsibility for undertaking a review of Council's accounting policies, but rather should their role be to seek assurance from qualified staff and independent experts that the policies are appropriate (in line with standards) and have been complied with. The above steps should serve to address these requirements.

Mōrearea | Risk

There is no increased risk exposure to Council, as adequate controls are already in place to ensure appropriateness of and compliance with accounting policies.

Ngā Whiringa | Options

If the Committee wish to retain the review of accounting policies on their annual work programme, the objective and outcome of the review should be defined by the Committee, so as to focus the scope of the review.

Ngā Tāpiritanga | Attachments

- A. Statement of Accounting Policies (from 23-24 draft Annual Plan)

Ngā waitohu | Signatories

Author(s)	Larnia Rushbrooke Finance and Business Services Manager	
Approved by	Manaia Te Wiata Group Manager Business Support	

8 Ngā Pūrongo Whakamārama | Information Reports

8.9 Draft report of KMPG's internal audit on cash-handling

CM No.: 2726299

Rāpopotonga Matua | Executive Summary

KMPG have provided their draft report in relation to their review of Council's cash handling and non-cash refund processes. At the time of writing, staff have not had an opportunity to provide comment on the findings or to develop a plan of action. Any update to progress in this regard will be discussed at the meeting.

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The draft report be received.

Resolution number YV/2023/00013

Moved by: Cr G Thompson
Seconded by: Mayor A Wilcock

KUA MANA | CARRIED

Horopaki | Background

As part of our Internal Audit programme, KMPG were contracted to undertake a review of Council's cash handling and non-cash refund processes. Their review was concentrated on four representative cash sites; being Morrinsville Office, Morrinsville Library, Te Aroha Mineral Spas and Te Aroha Swimzone.

To provide some context alongside this review, the below table lists the total cash receipts per facility for the 2021/22 financial year:

Cash site	2021/22 cash receipts
Matamata Office	\$115,518
Te Aroha Mineral Spa	\$107,174
Morrinsville Office	\$92,204
Te Aroha Office	\$81,339
Te Aroha Swimzone	\$28,083
Matamata Swimzone	\$21,120
Morrinsville Swimzone	\$19,232
Firth Tower	\$8,665
Te Aroha i-Site	\$6,020
Matamata Library	\$5,486
Morrinsville Library	\$4,424
Te Aroha Library	\$4,103
Domain House Beauty	-
Total cash receipts	\$493,365

Note that Domain House Beauty do not accept cash. Council's total revenue for 2021/22 was \$74,149,000, so cash makes up approximately 0.7% of total revenue. While this percentage is low overall, cash is identified as an inherent area of risk for any organisation.

Ngā Take/Kōrerorero | Issues/Discussion

KPMG provided their draft report to staff on 29 May. Staff have not yet had an opportunity to discuss the findings, gather feedback on the recommendations and determine an appropriate action plan in conjunction with the office and facility managers. We intend to report on any progress made in this regard at the meeting.

On initial review of the draft report, there were two matters of concern that were immediately communicated with facilities to be addressed asap, being the issues around the physical security/access to the cash safes and keys, and the Armourguard cash hand off process.

Other recommendations made in the report will be worked through with the office and facility managers, and they will consider how the findings of this review of selected sites may also apply across their other sites. We will consider the feasibility of the recommendations and develop a priorities plan of action for addressing these. We plan to monitor and report progress against the action plan to this Committee going forward.

Ngā Tāpiritanga | Attachments

A. KMPG Draft Internal Audit Report - Cash Handling May 2023

Ngā waitohu | Signatories

Author(s)	Larnia Rushbrooke Finance and Business Services Manager	
Approved by	Manaia Te Wiata Group Manager Business Support	

5 Ngā Pūrongo Whakamārama | Information Reports

5.10 Risk Management Update

CM No.: 2725520

Rāpopotonga Matua | Executive Summary

Implementation Update

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The information be received.

Resolution number YV/2023/00014

Moved by: Mayor A Wilcock

Seconded by: J Aoake

KUA MANA | CARRIED

Horopaki | Background

- Risk Appetite: Process is being finalised. Currently based on the Council's Strategic Direction, our Vision our Community Outcomes and our Priorities, refer attachment A.
- Working with Communications Team on options to promote Risk Management.
- The SPAG Report Writing Workshops included an overview of the Risk Assessment process and a worked example. This process will be used as the basis of the "Introduction to Risk Management"
- Risk Assessment Workshops will be run for each of the Management Group Teams and Project Teams.
- **Risk Assessments carried out:**
- Strategic: SPAG completed for the LTP.
- Tactical: Risk Assessments completed for a number of projects. Risk Assessment of the Spa Project Investment Case is underway, risks identified during the Deloitte, Brookfields and GHD reviews are being captured.
- Risk Management Framework & Policy Review is scheduled for September.
- Quality Management System – Health Check carried out by software provider ref attached report.
- Cash Handling Audit Conducted by KPMG refer to attached previous agenda item "Draft report of KMPG's internal audit on cash-handling".

The search for a software solution has recommenced. In discussion with other Council Risk Managers CAMM's is used by a number of the Councils. A meeting was held on the 1st March with the CAMM's Software Provider to discuss the features of the product. Second option being looked at is "KnowRisk". The criteria that the software options will be assessed against has been created. Access to a test system to evaluate the suitability of the two options is part of the selection process.

Ngā Tāpiritanga | Attachments

A. Risk Appetite

B. QMS Health Check (*Under Separate Cover*)

Ngā waitohu | Signatories

Author(s)	Lesley Steeples Risk Manager	
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Approved by	Dennis Bellamy Group Manager Community Development	
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8 Ngā Pūrongo Whakamārama | Information Reports

8.11 Safety and Wellness Quarterly Report January-March 2023

CM No.: 2723553

Rāpopotonga Matua | Executive Summary

The Quarterly Safety and Wellness report for January – March 2023 and the April 2023 Safety and Wellness Update are attached to the agenda. Kate Stevens, Safety & Wellness Team leader, in attendance to discuss the report with the committee.

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The information be received.

Resolution number YV/2023/00015

Moved by: Mayor A Wilcock

Seconded by: Deputy Mayor J Thomas

KUA MANA | CARRIED

Ngā Tāpiritanga | Attachments

- A. Quarterly Safety Wellness Report January - March 2023
- B. April 2023 Safety Wellness Update

Ngā waitohu | Signatories

Author(s)	Kate Stevens Safety and Wellness Team Leader	
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Approved by	Kelly Reith People, Safety and Wellness Manager	
	Don McLeod Chief Executive Officer	

5 Ngā Pūrongo Whakamārama | Information Reports

Risk and Assurance Work Programme 2023 - Update June 2023

CM No.: 2723748

Rāpopotonga Matua | Executive Summary

The Work Programme for the Committee is attached. It is intended this is a standing item for each Committee meeting.

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That:

1. The information be received.

Resolution number YV/2023/00016

Moved by: Deputy Mayor J Thomas

Seconded by: Cr K Tappin

KUA MANA | CARRIED

Horopaki | Background

Prior to the commencement of each calendar year the Committee sets a work programme.

While priorities can shift during the year as unexpected issues arise, the work programme is a useful tool to enable Committee members to set their direction and to allow staff to understand the work priorities that need to be achieved.

Ngā Tāpiritanga | Attachments

- A. Risk and Assurance Committee Work Programme 2023 - Update June 2023
- B. Risk and Assurance Committee Work Programme 2023

Ngā waitohu | Signatories

Author(s)	Stephanie Hutchins Governance Support Officer	
Approved by	Sandra Harris Placemaking and Governance Team Leader	
	Erin Bates Strategic Partnerships and Governance Manager	

C1 Information Technology - Security Update

11.45am The public were excluded.

Resolutions in relation to the confidential items are recorded in the confidential section of these minutes and are not public available.

9 Mōtini hei aukati i te iwi whānui | Procedural motion to exclude the public

WHAKATAUNGA Ā-KOMITI | COMMITTEE RESOLUTION

That the public be excluded from the following part(s) 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 follows.

This resolution is 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 which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

C1 Information Technology - Security Update

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage. It is inadvisable to disclose the state or extent of Council's Information Technology Security measures.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

The text of these resolutions is made available to the public who are present at the meeting and form part of the minutes of the meeting.

Resolution number YV/2023/00017

Moved by: Mayor A Wilcock

Seconded by: Deputy Mayor J Thomas

KUA MANA | CARRIED

10 Procedural motion to include the public

12.10pm The public were included.

Moved by: Mayor A Wilcock

Seconded by: Chair J Kana

KUA MANA | CARRIED

12.10 pm

The Chairperson thanked Members for their attendance and attention to business and invite Cr Gary Thompson to perform the closing Karakia.

Chair declared the meeting closed.

CONFIRMED AS A TRUE AND CORRECT RECORD
OF THE MEETING OF KOMITI O TE MŌREAREA
ME TE TŪMARU | RISK & ASSURANCE
COMMITTEE HELD ON 13 JUNE 2023.

KO TE RĀ | DATE:

TIAMANA | CHAIRPERSON: