

**MINUTES OF THE FINANCE AUDIT AND RISK COMMITTEE MEETING HELD AT
10.30AM ON FRIDAY 10 FEBRUARY 2023 AT TOTARA, COUNCIL CHAMBERS, 96
WEST END, KAIKOURA**

PRESENT: Deputy Mayor J Howden (Chair), Mayor C Mackle, Councillor V Gulleford, D Brandish (Independent Member)

IN ATTENDANCE: S Poulsen (Finance Manager), C Kaa (Management Accountant), B Makin (Executive Officer - minutes)

1. OPENING WITH A KARAKIA

2. APOLOGIES

No apologies were received.

3. DECLARATIONS OF INTEREST

Mayor C Mackle & D Brandish declared their interests in Innovative Waste Kaikōura.

4. CONFIRMATION OF MINUTES & ACTIONS

There were no previous minutes to be confirmed as this was the first meeting of the Committee for the Triennial. The Action List was reviewed, and the following update was provided:

- Depreciation – 30-year view – D Brandish and S Poulsen will liaise before the next Committee meeting.

5. MATTERS OF IMPORTANCE TO BE RAISED AS URGENT BUSINESS

Three items were raised that was not on the Agenda that could not wait until the next Committee meeting (which is held on a quarterly basis), due to timings:

- Debrief on audit conversation
- IWK and performance reporting
- Planning for 2023 audit and timeframes

RESOLUTION

The Committee resolved that the three items stated above are included on the Agenda.

Moved: Deputy Mayor J Howden

Seconded: Councillor V Gulleford

CARRIED UNANIMOUSLY

6. FINANCE REPORT TO 31 DECEMBER 2022

There are some adjustments to be made to the annual report for 2022, therefore updated asset valuations on roading and three waters have not been included in these reports.

The following queries were raised, and actions noted:

- If the southern access route has Waka Kotahi NZTA subsidiary applied – S Poulsen would follow up with the Operations Senior Manager.

- If the differences in the general expenses are permanent differences or timing issues, why the differences occurred and what action is being undertaken - C Kaa would liaise with the managers and indicate this in future reports where possible.
- From the variance report, if the capital revenue could be split out – D Brandish to discuss with the Chief Executive.

The Committee agreed that an update from the Strategy, Policy & District Plan Manager on the District Plan would be useful as there are certain risks involved with the project. M Hoggard joined the meeting at 10.49 am and provided a verbal update on the District Plan underspend. He advised that the underspend is largely due to the budget split (into \$19,200 p/m) and subsequent timing issues relating to consultancy fee drawdowns. The main risk to the project is around ongoing engagement with, and resources available at Te Rūnanga o Kaikōura. With the new RMA reforms, councils are required to undertake aspects of the District Plan review, such as the spatial plan. This is underway and Boffa Miskell have been contracted.

M Hoggard left the meeting at 11.01 am.

The following was noted in addition to the Officer's Report:

- Variance Report: that Leadership & Governance has capital expenses (such as the IT server) which distorts the balance to being below budget, and the Earthquake Event will be reclassified as it is being merged with the roading cost centre.
- Capex Report: Landfill Site Capping will be split as the after-care reserve will be applied once finalised, and two new projects have been included for tracking purposes; IAF and the Link Pathway. The Transfer Station has been re-forecast to \$350k following further Geotech reports/peer reviews, however this remains largely down on the original forecast of \$800k.

RESOLUTION

That the Committee recommends that the Council receives the Finance Report to 31 December 2022.

Moved: Deputy Mayor J Howden

Seconded: D Brandish

CARRIED UNANIMOUSLY

7. QUARTERLY REPORTS TO 31 December 2022

The summaries of the quarterly reports were highlighted on pages 16 and 17 of the Agenda.

Liability Management Policy Compliance Report

This report will show being non-compliant to 2024 due to timing issues. S Poulsen is following up with Bancorp.

Investment Report

Since the report, QV have advised there is a mistake in their investment valuation where Wakatu Quay was not revalued. The figure will therefore be increasing.

Marlborough Regional Forestry reserves are tracking well.

Depreciation Vs Capex Report

There is a current action to look at ways to fund depreciation long term.

Airport & Harbour

Fees were last reviewed around 4 years ago. The Council has indicated their desire to move towards a user pays system. The Committee agreed with this and provided a recommendation to the Council.

Sundry Rates and Debtors Report

The Council's debt collection agency has advised that one debtor is close to a mortgagee sale of their properties, and it is likely advertising will commence in the next couple of months. D Brandish recommended that the Council are advised of the debtor's details in a Public Excluded session, due to privacy reasons.

RESOLUTION

THAT the Committee receives the cover report and the listed attachments.

Moved: Deputy Mayor J Howden

Seconded: Mayor C Mackle

CARRIED UNANIMOUSLY

RESOLUTION

Recommend for Council to look into the user fees and charges for the Airport & Harbour through the annual plan process.

Moved: D Brandish

Seconded: Councillor V Gulleford

CARRIED UNANIMOUSLY

8. RISK MANAGEMENT REPORT

The Risk Management Report and Risk Register as at February 2023 was presented and discussed.

Risk ID#17 – IT services hardware failure; this risk will be updated following the system losing power twice through an un-interrupted power supply. Also, to include monthly updates received from Hurunui IT, Annual IT audit and how the Hurunui IT are strengthening their control.

RESOLUTION

THAT the Committee receives this report and recommend the Council to:

a) Look at an external audit of our IT systems, or what is in place.

Moved: Deputy Mayor J Howden

Seconded: Mayor C Mackle

CARRIED UNANIMOUSLY

9. RESERVES AND SPECIAL FUNDS AS AT 31 DECEMBER 2022

An update on Reserves and Special Funds was provided to the Committee showing the position at 31 December 2022. The following was noted:

- Waste Minimisation Levy - waste minimisation projects are approved by the Ministry of Environment and projects will be put into the next long-term plan.
- the Civic Centre fund remains in an overdraft position and finance staff would give an explanation as to what the main outgoings are which are preventing that fund from accumulating at the next update.
- Legal Challenges Fund – the funds came out of unspent District Plan money and is capped at \$100k.

RESOLUTION

THAT the Committee receives this report.

Moved: Deputy Mayor J Howden

Seconded: D Brandish

CARRIED UNANIMOUSLY

10. MARLBOROUGH REGIONAL FORESTRY JOINT COMMITTEE AGREEMENT

This is a long-standing agreement that has been in place that forms how the two councils work together in terms of the regional forest.

RESOLUTION

THAT the Finance Audit & Risk Committee:

- Receives this report; and*
- Endorses the Marlborough Regional Forestry Joint Committee Agreement.*

Noting the alteration on the date

Moved: Mayor C Mackle

Seconded: D Brandish

CARRIED UNANIMOUSLY

11. DEBRIEF ON AUDIT CONVERSATION

Audit NZ have indicated that the Annual Report will be ready for Council to adopt at the 29 March 2023 meeting. There are two qualifications of note:

- The ongoing qualification on performance reporting from the water contractor
- A qualification on prior year asset values.

Audit NZ have confirmed they will accept the new figures provided on the 3 Waters asset valuation.

12. IWK AND PERFORMANCE REPORTING

The ongoing qualification was noted by the Committee. D Brandish would follow up with the Chief Executive around communication to the contractor and what they need to provide.

Mayor C Mackle & D Brandish declared their interests in Innovative Waste Kaikōura and abstained from the discussion.

13. 2023 AUDIT AND TIMEFRAMES

Raised as urgent business due to the extension of the statutory timeframe now ending post-pandemic. Auditors will need to be onsite and complete the 2023 Audit by October. Audit NZ have confirmed they can meet this timeframe. S Poulsen will provide a full report to Council.

Mayor C Mackle left the meeting at 12.30 pm.

14. PUBLIC EXCLUDED SESSION

Moved, seconded that the public be excluded from the following parts of the proceedings of this meeting, namely

- a) Harbour Financial Issues Overview

The general subject 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), 6 and 7 of the Local Government Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each to be considered	Reason for excluding the public	Grounds of the Act under which this resolution is made
Harbour Financial Issues Overview	Contains commercially sensitive information and is subject to ongoing negotiations	Section (7)(b)(ii) would be likely unreasonable to prejudice the commercial position of the person who supplied or who is subject of the information Section (7)(h) enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities Section (7)(i) enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)

Moved: Deputy Mayor J Howden

Seconded: D Brandish

CARRIED UNANIMOUSLY

The meeting moved into the Public Excluded session at 12.31 pm.

15. RE-OPENING OF MEETING

The meeting moved out of Public Excluded at 1.05 pm.

16. CLOSE MEETING

There being no further business, the meeting was declared closed at 1.05 pm.

CONFIRMED _____ Chairperson

Date

**FINANCE AUDIT AND RISK
ACTION LIST AS AT 13 FEBRUARY 2023**

	ACTION ITEM	ASSIGNED TO	DUE	STATUS
1	Depreciation – 30 year view	S Poulsen D Brandish	20 April	S Poulsen & D Brandish to discuss this further. Produce a form of 30-year view going forward
2	Confirm if southern access route has Waka Kotahi NZTA subsidiary applied	S Poulsen	20 April	To follow up with Senior Manager
3	Reports to include general expenses permanent/timing issue differences & what action is being undertaken	C Kaa	20 April	
4	Variance report – split out of capital revenue discussion with CE	D Brandish	20 April	
5	Large debtor – advise Council	S Poulsen		
6	Risk ID#17 – update with monthly updates, IT Audit & how Hurunui are strengthening their controls	W Doughty / B Makin	20 April	
7	Discussion with CE on IWK	D Brandish	20 April	