

Minutes of a meeting of the Audit, Finance & Risk Committee held on Tuesday 14 March 2023 in the Council Chambers, 10 Gorge Road, Queenstown commencing at 10.00am**Present**

Mr Stuart McLauchlan (Chair), Councillor Lyal Cocks, Councillor Niki Gladding, Councillor Lisa Guy (via zoom).

In Attendance

Mr Stewart Burns (General Manager Assurance Finance & Risk), Ms Michelle Morss (General Manager Strategy & Policy, Mr Paddy Cribb (Finance Manager), Mr Bill Nicholl (Resilience & Climate Action Manager), Mr Alan Thomas (Health & Safety Manager), Mr Brendan Peet (General Counsel), Ms Kirsty Pope (Climate Action Coordinator via zoom), Ms Zoe Burton (Senior Legal Counsel), Mr Miles O'Connor (Bancorp via zoom), Mr Paul Speedy (Strategic Project Manager), Ms Katie Church (People & Capability Director arrived at 10:05), Kate Findlay, Ms Nichola McKernan (Subdivision Officer), Mr Gareth Noble (Programme Director), Mr Naell Crosby-Roe (Governance & Stakeholder Services Manager via zoom), Ms Alixandra Willis (Governance Advisor), Mr Mike Theelen (CEO).

Apologies

Mr Heath Copland, and Mr Bill Moran. (Councillor Guy joined the meeting via Zoom).

On the motion of Mr McLauchlan and Councillor Cocks It was agreed that the apologies be accepted.

Motion carried.

Declaration of Conflicts of Interest

No declarations of conflict were made.

Public Forum

There were no speakers in public forum.

Matters Lying on the Table

There were no matters lying on the table.

Confirmation of Agenda

On the motion of Mr McLauchlan and Councillor Gladding It was agreed that the agenda be confirmed without addition or alteration.

Motion carried.

Confirmation of Minutes

There were no minutes to confirm as this was the first meeting of the new Committee.

1. Risk & Compliance Update March 2023

A report from Gareth Noble (Programme Director) gave a governance update regarding the status of the Queenstown Lakes District Council (QLDC) risk context, and an update on key organisational risks. The report also proposed minor amendments to the Risk Management Policy and the proposed program of works for the Risk & Compliance Organisation Unit.

Mr McLauchlan asked whether the three lines of defence model on page 11 could be explained. Mr Noble replied that the process has just started for understanding what the three lines model means for the organisation. Mr Noble indicated that no approval is being sought from the Committee and that the report is highlighting that there is a model and that it is a work in progress. There was then brief discussion on the details yet to be worked out.

Mr Theelen asked what the role of external auditors is in this process and, in particular, whether this model envisages a more active relationship with external auditors on an ongoing basis or whether they provide an annual or irregular check on organisational performance. Mr Noble explained that in any three lines of defence model, there must exist interrelations between each of the levels of assurance. Mr Noble explained that the external auditor will normally want to see the reports provided by an internal audit function to understand the key risks. However, the external auditor chooses their own approach for making decisions on audits. Mr Burns explained that the external auditors are active in all three lines of defence. They will take a risk-based approach to test management controls and look at Council policies. They will oversee the general risk management practices to assess their efficacy and appropriateness. Areas of emphasis each year are directed from the Office of the Auditor General.

Councillor Gladding expressed concern that full Council is not part of the model and suggested that there be a workshop with full Council to clarify what role Council had in the three lines model. Mr Noble explained that, as per the terms of reference of the Audit, Finance & Risk Committee, any changes to the Risk Management Policy need to come to the Committee but would then need to be recommended to Council for adoption. Mr Noble added that it would be usual practice for the three lines of defence

model to be outlined in the Risk Management Policy, and any changes to the policy would go to full Council. Councillor Gladding also asked for some clarity on how officers ensure objective independence in the internal audit. Mr Noble responded that the three lines of defence is usually developed to reflect the needs of the organisation and added that, in local government, understanding that independence role is very important. Mr Noble indicated that it is also not unusual for a combined risk and internal audit function to be implemented and noted that consideration is being given to the report of the Controller and Auditor General on Local Government Risk Management Practices. Mr Noble also noted that the Committee has a level of independence through the Chair, Deputy Chair etc.

There was further discussion on the internal processes for auditing.

It was noted the compliance space needs to grow as an organisation and that additional resource are needed for this. A work plan has been proposed which includes a full and complete review of the Risk Management Policy.

Councillor Gladding mentioned that it would help public trust if risks were brought to the Committee meetings more frequently. Councillor Gladding stated that Councillors were not brought up to speed with strategic projects as part of the induction. Councillor Gladding also requested assurance, with respect to any internal audit function that Mr Noble's team might undertake, that Councillors will get objective reporting and that, when things are not going so well, that this would be reported to Councillors since it is very important that Councillors are made aware of risk.

Mr Noble stated that this report proposes some immediate changes to address inconsistencies in the current approach and noted that a complete review of policies is intended in the future. Councillor Cocks asked whether there are checklists to guide management and project officers or whether they would have to refer to the entire policy. Mr Noble noted in reply that the Strategy & Policy team has done some work on this so far, but it will be taken further. Mr Noble added that multiple workshops with teams across the organisation have also been run to refresh the understanding of what the Risk Management Policy requires of officers and to give teams the tools to implement the policy in a way that makes sense to them.

On the motion of Councillor Gladding and Mr McLauchlan the Audit, Finance & Risk Committee resolved to;

- 1. Note** the contents of this report and;
- 2. Recommend to Council** the proposed amendments to the Risk Management Policy.

Motion carried.

2. Year to date Financial Overview, Debtors' Analysis and Statement of Financial Position Overview

A report from Paddy Cribb (Finance Manager) presented the 2022/23 December Year to Date (YTD) Actual to Budget financial results, Capital Expenditure financial results and December 2022 Debtors Analysis and Statement of Financial Position, and reported on any significant transactions and/or variances to budget.

Mr McLauchlan read out a question from Mr Bill Moran. Mr Moran asked whether the debt arrears are higher than would be expected at this time in the cycle. Mr McLauchlan stated this would be covered in commentary.

Councillor Cocks sought clarification on the inclusion of a pedestrian overpass which Mr Theelen confirmed had been removed. Councillor Cocks sought further clarification on the basis for the increase on co-funding for the Alliance Group and if this reflected a change to the work programme. Mr Theelen confirmed that is part of the Alliance structure, this would include additional funding from the Council as well as the Alliance partners. Councillor Cocks asked about \$19.8 million spent annual budget, and if Council is likely to achieve the full budget. Mr Cribb answered that the updated forecast is \$40 million for the Project Management Office, and this will be taken to the full Council meeting on 23 March 2023. Councillor Cocks asked regarding the Ballantyne Road contract and why is there a cost to Council. Mr Burns confirmed that this was not fully funded by Waka Kotahi.

Councillor Gladding asked about Cardrona Water supply and risk of cost escalations under that development agreement. Mr Burns explained this would primarily sit with the developer. Councillor Gladding asked for more information regarding the development contribution debt in relation to the value to release the titles. This matter was clarified in the paper.

Councillor Gladding expressed concern Council might be compromising standards to get payment. Mr Theelen explained usually the opposite happens.

Councillor Gladding noted that there are a number of development agreements (DAs) and contracts in place such as Lakeview, Manawa, Kingston, Cardrona, and asked what the risk is that Councillors do not understand those risks (noting that that is one of the risks in the risk register, i.e. 00045). Councillor Gladding sought for Councillors to be informed to sufficiently understand the relevant terms of the DAs and the risks around those agreements. Mr McLauchlan explained that information is available to Councillors but that they needed to stay removed from running aspects of the business.

Councillor Gladding explained that her concern is more one of awareness and understanding risks. Councillor Gladding asked how such information can be summarised for full Council. Mr Burns explained when putting the capital programme

together part of that process is making sure QLDC is honouring its obligations. Mr Theelen explained that reports are created on progress against budget and expenditure. Council officers are employing experts to provide guidance and assurance that risks are being managed and reported correctly to Council. It was agreed that if there are issues with cost overruns, they need to be highlighted to Councillors as this may impact future decisions.

Councillor Guy asked whether operational risks have been considered alongside employee benefits and whether Council provides or subsidises any housing for employees. Mr Theelen confirmed that Council makes no provision for employee housing but has at times provided short term relocation funding as part of contractual agreements where they have been required. Council has acknowledged housing is a risk for recruitment and there is awareness of the housing issues but there is no specific policy around this issue.

Councillor Cocks mentioned that it is important to make sure the original budget for projects is realistic. There is a need to make sure the Council are working with the risk policy to reduce having to confirm additional spending. Mr Burns replied that the first three years of budgets and projects should be as good as we can get them in terms of business case, full estimate, and full design costs. Projects in years four to ten can be more indicative, which is where there may be deficiencies. Officers are looking to improve the process within the organisation so there is a good understanding of the information which supports each project. It was acknowledged that projects do grow and change, and funding does become available.

Mr Theelen explained there is a degree to which Council needs to be careful responding to continual requests to add. It was acknowledged that the Annual Plan will not be able to include all aspirations.

On the motion of Mr McLauchlan and Councillor Gladding the Audit, Finance & Risk Committee resolved to:

1. **Note** the contents of this report.

Motion carried.

3. Sensitive Expenditure

A report from Paddy Cribb 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 Queenstown Lakes District Council (QLDC) property. The report covers the first six months of the year.

Councillor Gladding asked if Council officers assess the procurement plans, in particular the direct-appointment/off-panel plans and how they comply with the policy. Mr Burns replied that procurement needs one-up sign off and must work with the policy or it will be pushed back by the relevant General Manager (GM). He noted that this is in line with QLDC delegations.

Councillor Gladding then questioned whether there is any further reporting on the adequacy with which QLDC is following the policy and how the procurement plans are being written. Mr Theelen noted that there is formal disclosure of plans through this mechanism. Mr Theelen also noted that just this week he liaised with Mr Burns and Mr Noble to ensure that staff are applying the policy rigorously and he has asked that a more rigorous eye be cast over this area in the future. Mr Burns noted that a new system will enable QLDC to do this more rigorously and a new procurement manager will be hired to oversee it all.

**On the motion of Councillor Cocks and Councillor Gladding
the Audit, Finance & Risk Committee resolved to:**

- 1. Note the contents of this report.**

Motion carried.

4. QLDC Organisational Health, Safety and Wellbeing Performance

A report from Alan Thomas (Health & Safety Manager) provided the Audit, Finance & Risk Committee with a regular update on the Health & Safety performance of the Organisation.

Councillor Gladding asked for information on patterns or themes around aggressive behaviour towards QLDC employees. Ms Church responded that the aggressive behaviour is towards the front-facing team members such as Customer Services. QLDC offers EAP (Employee Assistance Programme), which provides free counselling sessions to employees who request them, team check-ins and good support measures. Councillor Gladding asked if there is any indication of what the reason for the aggression is or whether it is case-by-case that people are under pressure on specific things. Ms Church and Mr Thomas clarified that these are case-by-case, i.e. there is no general theme. Councillor Gladding asked whether it is possible to show trends in the graphs provided.

Councillor Guy noted the main risks of public interaction and asked if there is guidance within the constitution, or other communication that can direct the public how to conduct themselves with Council officers. Meagan Miller responded that this is something Executive Leadership Team (ELT) actively discusses. Ms Miller noted that

when there is set consultation and engagement, there needs to be a terms of reference document to set out the behaviours that are above and below the line. Ms Miller added that this is not a new issue and that ELT takes it very seriously.

There was discussion around a Health & Safety incident where a contractor hit an underground cable. It was discussed whether issues of this sort should be raised with the Chief Executive, and the idea of convening with contractors on this issue to avoid fatality was floated. Mr Thomas explained that there have been extensive conversations and reports on what happened, and the contractors have sent out safety alerts within their companies. Additionally, the contractor's Health & Safety Manager came down from Auckland and conversed with Mr Thomas regarding the incident and QLDC's expectations of health and safety going forward. Mr Thomas stated that there is a lot of underground infrastructure that is not on city plans and has not been laid properly. However, there should be additional measures in place to avoid incidents like this. It was also noted that staff shortages across the country are not helping contractors to be able to provide the safest service.

**On the motion of Mr McLauchlan and Councillor Gladding the
Audit, Finance & Risk Committee resolved to:**

1. **Note** the contents of this report.

Motion carried.

5. Climate and Biodiversity Plan

A report from Bill Nicoll (Resilience & Climate Action Manager) provided a summary of priorities and progress of the Climate and Biodiversity Plan 2022-2025 (CBP) and associated budget. The report was presented by Michelle Morss, Bill Nicoll and Katharine Durham. Ms Morss noted that this is the first report to Council of its sort.

Mr Nicoll noted that the report provides an update on tracking progress of the overall Climate and Biodiversity Plan, details on all the actions underway and an update on the progress of the Climate Reference Group that has recently undergone a restructure.

Councillor Cocks asked whether completing the list of actions is realistic, to which Mr Nicoll replied that the list has been cut down from 600 to 70 actions that are spread across a broad range of Councils and external partners. The list is recognised as a new area of accountability and responsibility, but Mr Nicoll's team is happy with the current progress.

Councillor Guy enquired how the goals fit in with existing Council policies that are in place and how this will be managed. Ms Morss responded with some background

information noting that the Plan was approved in 2022 and will be reviewed after 3 years. She explained that it is a very fast-moving space so the responsible parties are trying to keep nimble and active. The goals are relatively set but where necessary, the process can be flexible.

Mr Nicoll commented that the Plan is a significant body of work with regards to carbon literacy and activation groups within council that help support the drive towards climate action and biodiversity. The disruption of food production and logistics was identified as a key risk, though council officers do have a project which partners with Wao in Wānaka where all food stakeholders work together to approve a roadmap of initiatives to future proof and work with Council policies to achieve a robust plan.

Councillor Gladding expressed concern around charging units for electric vehicles (EV), stating that if the Council does not install the chargers in the right places, then it will disincentivize people to use electric vehicles in the district. Mr Nicoll agreed and added that there is a program of work around comprehensive parking and plans to look at EV requirements for the future. The plan for charging straddles the first two years of the Climate and Biodiversity Plan. It was also noted that additional work will be needed as the market changes and develops.

Councillor Gladding highlighted that the Destination Management Plan (DMP) has \$50k of funding for Project 9. Councillor Gladding asked whether the foundations are going to be in place before the infrastructure is developed. Ms Morss confirmed that the foundations are already underway. Ms Morss explained how Governance and long-term funding need to happen concurrently to ensure that Project 9 continues to have momentum. She then confirmed that the aforementioned \$50k for the DMP is for initial scoping, Officers are also seeking long-term funding for the duration of the project.

Mr Mike Theelen Stepped out at 11:14am And returned at 11:16am.

**On the motion of Councillor Cocks and Councillor Gladding
the Audit, Finance & Risk Committee resolved to:**

1. **Note** the contents of this report.

Motion carried.

Ms Alixandra Villis Stepped out at 11:20am and returned at 11:22am Mr Alan Thomas, Ms Katie Church, Ms Kirsty pope, Mr Bill Nicoll left at 11:20am.

6. Lakeview Development Update

A report from Paul Speedy (Strategic Project manager) presented the progress and key milestones for the Lakeview development. Mr Speedy spoke at a high level through the tables of updates.

Councillor Cocks enquired what the financial risks are to QLDC if process deadlines are missed. Mr Speedy advised that if the developers rescind on the agreement, because of Council deadlines being missed, then Council would return the bond but would still own the land as no titles have been transferred yet. The title transfer deadline is expected to be by September, and officers are on track to have the infrastructure works completed by mid-June. Mr Speedy also noted that it is very unlikely the developer would walk away at this stage given the commitments made by both parties to date.

Councillor Cocks asked how officers are managing risk and disruption to businesses. Mr Theelen replied that most of the Lakeview work does not affect businesses, and noted that it provides extra car parking, which is a benefit.

Councillor Gladding asked whether the developer engages with officers on design changes. Mr Speedy advised that there are monthly developer control group meetings where design changes are raised.

Michelle Morss left at 11:33am. Meaghan Miller & Paul Speedy left at 11:38am

**On the motion of Mr McLauchlan and Councillor Cocks the
Audit, Finance & Risk Committee resolved to:**

- 1. Note the contents of this report.**

Motion carried.

Resolution to Exclude the Public

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

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(1)(a) of the Local Government Information and Meetings Act 1987 for the passing of this resolution is as follows:

Agenda Items:

Item 7: Treasury Update

Item 8: Legal Update

General subject to be considered:	Reason for passing this resolution:	Grounds under Section 7:
7. Treasury Update	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: h) enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	S 7(2)(h)
8. Legal Update	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: g) maintain legal professional privilege i) enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	S 7(2)(g) S 7(2)(i)

This recommendation 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 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.

The meeting moved into public excluded at 11:38am.

Confirmed as a True and Correct Record:

Chair

Date