

Minutes of a meeting of the Audit and Risk Committee, held in the Council Chambers, civic administration building, 29 Bowler Avenue, Gore, on Tuesday 21 February 2023, at 4.00pm.

Present	His Worship the Mayor (Mr B R Bell, Chairman), Crs Gardyne, Highsted, P McPhail, R McPhail, Reid and independent member, Mr Michael Chamberlain (via Zoom from 4.27pm).
In attendance	Crs Dickson, Hovell, McKenzie, Phillips, the Chief Executive (Mr Stephen Parry), General Manager Community Lifestyle Services (Mr Rex Capil), General Manager Corporate Support (Ms Lornae Straith), General Manager Critical Services (Mr Jason Domigan), General Manager People and Culture (Mrs Nicky Cooper), Governance Manager (Susan Jones), IT Manager (Mr Andrew McPherson), 3 Waters Operations Manager (Mr Aaron Green), Digital Communications Specialist (Ms Kaitlyn Wright) and Event Coordinator (Ms Jess Swan).
Apologies	Crs MacDonell and Stringer apologised for absence. These were accepted on the motion of Cr Gardyne, seconded by Cr R McPhail.

1. QUARTERLY TREASURY REPORT (SC3284)

A memo had been received from the General Manager Corporate Support together with a copy of the quarterly Treasury report from Bancorp. A copy of Bancorp's commentary on recent market developments had also been circulated.

Due to technical issues, Mr Miles O'Connor was unable to join the meeting by Zoom.

The General Manager Corporate Support said the report was for information and showed the movement in debt from previous periods and the current weighted average cost of capital which was the current interest rate. It had moved significantly from December 2021 to 2022. It had increased from an average of 3% to 3.98%.

2. AUTHORITY UPGRADE PROJECT UPDATE (SC3371)

A memo had been received from the General Manager Corporate Support providing an update on the progress of the upgrade of the Council's Enterprise Resource planning (ERP) system.

Mr Alan Radbone, Project Manager from Pacesetter was unable to join the meeting due to technical issues with Zoom.

The Council had been originally scheduled to perform the upgrade in October 2020, however, internal staff changes at Civica meant the booking had been lost. A rebooking was made for January 2022, however there were new staff in key positions affected by the upgrade and also some vacant positions. The decision was then made to delay the start of the upgrade until August 2022.

Authority was connected to several key platforms, and a new test environment had been stood up to ensure testing accurately reflected the target production environment. There had also been several staged upgrades to connected platforms to reduce the risk involved in upgrading all platforms at once.

The main change with the upgrade was in the Name and Address Register (NAR), rating and revenue modules. There was improved functionality in these areas, and the feedback from staff performing the testing in these areas was positive.

A copy of Pacesetter's report to the Project Steering Group had been circulated with the agenda. A further updated report had been circulated prior to the meeting. The Council was expected to be on target for a 'go live' date of 3 March 2023. If the Project Steering Group, Project Manager or Civica did not give the green light to go live on the booked in date, the next available date for Civica to complete the transition to version 7.1 would be a month later.

RECOMMENDED on the motion of Cr R McPhail, seconded by Cr Highsted, THAT the report be received.

3. 3 WATERS QUARTERLY LEVEL OF SERVICE REPORT

A copy of the 3 Waters quarterly level of service report from the 3 Waters Operations Manager had been circulated with the agenda. He highlighted the severe flooding event that occurred in December which impacted the 3 Waters response time to be longer than usual due to the huge number of callouts received.

RECOMMENDED on the motion of Cr Reid, seconded by Cr Gardyne, THAT the report be received.

4. HEALTH AND SAFETY REPORT (SC3545)

The Health and Safety Administrator was in attendance at the meeting for this item.

A report had been received from the General Manager People and Culture that covered staff training completed, upcoming training, critical risks, SiteWise, fire evacuation trials, Health and Safety Committee meeting schedule for 2023, Contractor Link, annual survey, all staff workshop and positive education.

Cr Highsted asked what the timeframe was for the critical risk programme. The General Manager said there was a need for some funding and if the Council agreed, the first stage could be implemented in the next 2-3 months. The whole programme would need to be staged. Cr Highsted asked if the funding was available, was the resource available. The General Manager confirmed it was and would be external.

RECOMMENDED on the motion of Cr Highsted, seconded by Cr Reid, THAT the report be received,

THAT the Audit and Risk Committee note that the Council has yet to define its critical risks or implement a critical risk programme and is therefore not meeting its obligations under the Health and Safety at Work Act 2015,

AND THAT the Council consider funding for the critical risk programme as part of the 2023-24 Annual Plan process.

The 3 Waters Operations Manager departed the meeting at 4.16pm

The meeting adjourned at 4.16pm to resolve technical issues with Zoom and resumed at 4.27pm.

Mr Michael Chamberlain joined the meeting at 4.27pm

5. IT REPORT (SC0176)

A report had been received from the IT Manager covering cybersecurity, major software projects and infrastructure projects.

The Manager asked what content would be useful for the Committee to have in future reports. He was open to suggestions.

Cr Highsted asked if there were any key risks as IT Manager that the Committee should be aware of. The Manager said there were threat risks such as resilience, data integrity from the human factor side and capability. Cybersecurity was the number one risk. Cr Highsted asked how elected members and the Council as an organisation was performing with email threats. Had there been a recent test? The Manager advised CrowdStrike had been implemented as a way of detecting intrusions and to undertake 24 hour monitoring of the platforms used. It was working well. To the best of his knowledge, it was protecting the servers and desktop environments. Email was a little different and was more active. There was a lot of malware and spam. There were impersonation email attacks and up to 12 per week were being picked up. It was down to the human factor of people being aware. In terms of risk to the organisation, there were a number of other platforms in place to help manage those risks. Once the Authority upgrade was completed and with protections such as CrowdStrike in place, the second half of the year would involve work on other areas of the business undertaken.

His Worship asked if there was likely to be an increased risk with having public computers in the library. The Manager said there had been network separation undertaken with those units and the Council was in a better position. Mr Chamberlain said with cyber security, people were probably aware and prevented things by their own actions. When another event happened such as the cyclone in the North Island, how did the IT policy handle multiple risks at the same time. Was the Manager confident? The Manager advised as many preventative measures as possible were in place.

RECOMMENDED on the motion of Cr P McPhail, seconded by Cr Reid, THAT the report be received.

6. QUARTERLY TREASURY REPORT (SC3284)

Mr Miles O'Connor from Bancorp joined the meeting from 4.38pm

The General Manager Corporate Support introduced Mr O'Connor to the meeting.

Mr O'Connor referred to the monetary policy expectations and the projected increase in the cash rate had changed significantly because of Cyclone Gabrielle. It had pushed some swap rates lower. An inverted yield curve meant there would be a recession. There was a lot of volatility in interest rates at the moment.

Cr Highsted referred to the Council's interest rate projection. He said it would be useful for new members to understand what they meant. Mr O'Connor said it projected the future cost of funds, debt levels and assumed the Council would be subject to a floating rate at the time. The yield curve was not perfect, but in the absence of anything else it was the best predictive tool available. He advised he had had a recent discussion with a member of the National Transition Unit for 3 Waters who said if Councils had less than \$20 million of debt that was associated with 3 Waters the transition out of the debt to the new entity would happen on 1 July 2024. If there was more than \$20 million of 3 Waters debt, it would transition out when the debt matured. The General Manager said there was over \$18.8 million of debt related to 3 Waters. The treatment of swaps also needed to be worked through and how that would be done.

Mr Chamberlain asked if \$18.8 million was made up of specific tranches of debt. The General Manager said it was 3 Waters debt and spread across various projects at the time. There was no one tranche of debt taken out for one specific project.

RECOMMENDED on the motion of Cr Gardyne, seconded by Michael Chamberlain, THAT the report be received.

7. WINDING UP OF RISKPOOL (SC3473)

A memo had been received from the General Manager Corporate Support together with a copy of a letter from Riskpool updating the Council on the progress towards winding up the scheme.

Riskpool was a mutual liability fund that had been set up to offer public liability and professional indemnity cover to member Councils from 1 July 1997 to 30 June 2017. It had been primarily set up in the wake of the leaky building crisis.

Good progress had been made towards winding up the scheme, however there was one claim that was still in front of the courts. Riskpool had applied for leave to appeal to the Supreme Court for a final determination. A decision may not be made until 2024. That meant that the ability to wind up the scheme and make any final call(s) on the members could not be concluded until the decision was known.

RECOMMENDED on the motion of Cr R McPhail, seconded by Cr Highsted, THAT the report be received.

The meeting concluded at 4.52pm