



## **Minutes of a meeting of the Audit, Risk and Finance Subcommittee**

**Held in the Council Chamber, Civic House, 110 Trafalgar Street,  
Nelson**

**On Tuesday 14 August 2018, commencing at 9.04a.m.**

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Present: Mr J Peters (Chairperson), Her Worship the Mayor R Reese,  
Councillors I Barker, B Dahlberg and Mr J Murray

In Attendance: Councillors G Noonan, M Rutledge, S Walker, Chief Executive  
(P Dougherty), Group Manager Infrastructure (A Louverdis),  
Group Manager Community Services (R Ball), Group Manager  
Corporate Services (N Harrison), Manager Communications (P  
Shattock), Manager Governance and Support Services (M  
Birch), Team Leader Governance (R Byrne) and Governance  
Adviser (R Terry).

Apologies: Nil

### **1. Apologies**

### **2. Confirmation of Order of Business**

There was no change to the order of business.

### **3. Interests**

There were no updates to the Interests Register, and no interests with  
items on the agenda were declared.

### **4. Public Forum**

There was no public forum.

### **5. Confirmation of Minutes**

#### **5.1 26 June 2018**

Document number M3580, agenda pages 6 - 9 refer.

Resolved AUD/2018/034

***That the Audit, Risk and Finance Subcommittee***

***Confirms the minutes of the meeting of the Audit, Risk and Finance Subcommittee, held on 26 June 2018, as a true and correct record.***

Murray/Dahlberg

Carried

## **6. Chairperson's Report**

The Chair noted that the Council was obtaining legal advice for the Greenmeadows project and the Chief Executive would be conducting internal and external reviews. The Terms of Reference for the reviews would be signed off by the Mayor and Chair of Audit, Risk and Finance, Mr John Peters.

It was noted that an external review was appropriate to determine how Council could improve their processes moving forward. Confidence was expressed in the Chief Executive.

Clarification of the committee's responsibilities and confirmation of governance oversight of the reviews and reports was requested.

## **7. Quarterly Key Risks Report - Quarter 2 Calendar 2018**

Document number R9523, agenda pages 10 - 26 refer.

Risk and Procurement Analyst, Steve Vaughan presented the report. He advised the Council had completed a test scenario for major disruptions on 27 July 2018 and observers notes were being worked through. He noted that internal communications and clarification of roles would be an area of focus.

There was discussion regarding risk assessments and reporting, including:

- Project delays were not being reported in detail to committees
- Issues highlighted needed to be reported to the relevant Chair or committee as soon as possible
- The risk rating was spread across all projects, balancing out ratings so that Council may not be aware of any individual issues.

It was noted that with some capital projects significantly behind schedule, performance and delivery of projects resolved in the Long Term Plan, 2018 – 28 could be compromised.

In response, it was advised that there would be quarterly performance reporting to committees. It would include a section on risks, current issues and activity budgets so that each committee could review any potential risk to Council. Any projects over \$1million would still also be reported to Audit, Risk and Finance for review. These changes would be introduced from the September quarter.

The subcommittee requested the following amendments for risk assessments and reporting of organisational risks to this subcommittee:

- Greater clarity relating to risk for individual projects
- Greater transparency of risk management and controls
- Measuring and reporting on the effectiveness of the controls
- Confirmation risk is being minimised and controlled

Mr Murray also requested a separate report to cover Council's risk management framework. This would include the processes for risk identification and management, allocation of risk to the correct person, and improvement of controls to ensure they are effective.

The meeting was adjourned at 9.25am and reconvened at 9.32am.

Resolved AUD/2018/035

***That the Audit, Risk and Finance Subcommittee***

***Receives the report Quarterly Key Risks Report - Quarter 2 Calendar 2018 (R9523) and its attachment Key Organisational Risks Report Quarter 2 Calendar 2018 (A2011772).***

***Requests a report that looks at the risk management framework and escalation of risks; and***

***Requests a report which provides more detail around the controls in place and treatments including who is responsible and how effective the controls are and the timeframes of treatments;***

***Requests that the quarterly key risk report be revised so it is fit for the Audit, Risk and Finance Subcommittee's purpose, reflecting the feedback and discussion at the current meeting.***

Peters/Dahlberg

Carried

**8. Internal Audit - Quarterly Progress Report to 30 June 2018**

Document number R9533, agenda pages 27 - 30 refer.

Internal Audit Analyst, Lynn Anderson presented the report.

Ms Anderson said that there had been an update to the contract renewals item on page 29; contract payments had now been added to an electronic purchase order system. Work was being completed to bring historic contracts in to the document management system. This work was on-going and additional resources may be required.

The audit reports for monitoring and management of contractor performance were currently being drafted and would be presented to the Senior Leadership Team when complete. If any high-risk findings were identified during the audit, the Chair would be notified.

Group Manager Corporate Services, Nikki Harrison provided an update on the annual audit plan, noting a new audit programme would be presented at the next meeting in September after discussions with Audit New Zealand and the Chair.

Resolved AUD/2018/036

***That the Audit, Risk and Finance Subcommittee***

***Receives the report Internal Audit - Quarterly Progress Report to 30 June 2018 (R9533) and its attachment (A2008536).***

Dahlberg/Barker

Carried

**9. Internal Audit - Summary of New or Outstanding Significant Risk Exposures and Control Issues to 30 June 2018**

Document number R9534, agenda pages 31 - 34 refer.

Internal Audit Analyst, Lynn Anderson presented the report.

There was discussion around the significant risk exposures. Ms Anderson noted that the new contract templates had improved the quality of the contracts and would assist to reduce risk.

Ms Anderson said that work was being done to prevent water contamination and sabotage of waterways, including international research, controls and filters. There had been a duplication of lines for any at-risk areas at the water treatment plant and frequent testing and recording of data.

The new contracts template had decreased risk going forward, but it was noted that a number of contracts in the old template format were still in the system. It was decided that the Chair of each committee would have

a meeting with the relevant Group Manager to understand any residual risk from older contracts.

In response to a question, Ms Anderson noted that the control environment item at 3.2 was still current and advice was being sought from the risk analyst to confirm the current risk rating.

Resolved AUD/2018/037

***That the Audit, Risk and Finance Subcommittee***

***Receives the report Internal Audit - Summary of New or Outstanding Significant Risk Exposures and Control Issues to 30 June 2018 (R9534) and its attachment (A2006732).***

Barker/Murray

Carried

## **10. Corporate Report to 31 May 2018**

Document number R9200, agenda pages 35 - 45 refer.

Senior Accountant, Tracey Hughes and Manager Capital Projects, Shane Davies presented the report.

Mr Davies advised there had been an underspend on capital projects due to construction delays. A break-down of the underspend, by project, was requested, including timeframes for staging and completion.

The committee expressed its concern regarding the capital underspend only becoming apparent at this stage. It was agreed that the Chairs would be informed of any project issues at their weekly meetings with the Group Manager and any issues would be further reported to the Mayor.

Group Manager Corporate Services, Nikki Harrison noted an underspend of \$700,000 within the IT space on three projects. Further information would be included in the carry forward report at the next meeting.

Attendance: Her Worship the Mayor Reese left the meeting at 12.08p.m and returned to the meeting at 12.15p.m.

Resolved AUD/2018/038

***That the Audit, Risk and Finance Subcommittee***

***Receives the report Corporate Report to 31 May 2018 (R9200) and its attachments (A2023685 and A2025408).***

Murray/Barker

Carried

## 11. Health, Safety and Wellbeing Performance Report

Document number R9217, agenda pages 46 - 60 refer.

Health and Safety Adviser, Malcolm Hughes presented the report.

Mr Hughes noted a correction on page 47. Item 5.3 should read that 'during this reporting period, no councillors participated in a safe work observation'.

In response to questions, Mr Hughes advised:

- there were still a range of security measures in place at the Stoke Library and that the youth worker's contract would be extended
- an update on the Elma Turner library upgrade and on the review of procedures and practice in river monitoring work would be presented at the next subcommittee meeting
- a diving contractor had received a minor injury from a stingray strike. This was a seasonal issue as they were attracted to shallow water in the warmer weather. Mr Hughes would research and establish if further precautions were required to ensure Council was following industry best practice
- worksafe observations - target measures would be set for completion of observations
- the possibility of driver training or withdrawing access to vehicles for repeat offenders of speeding.

Resolved AUD/2018/039

***That the Audit, Risk and Finance Subcommittee***

***Receives the report Health, Safety and Wellbeing Performance Report (R9217) and its attachment (A2011373).***

Barker/Dahlberg

Carried

## 12. Draft Governance Members' Protected Disclosure Policy

Document number R9579, agenda pages 61 - 73 refer.

Manager Governance and Support Services, Mary Birch presented the report, noting this was a stand-alone policy and would not need to be referenced in Standing Orders.

Resolved AUD/2018/040

***That the Audit, Risk and Finance Subcommittee***

**Receives the report Draft Governance Members' Protected Disclosure Policy (R9579) and its attachment (A2013157).**

Barker/Dahlberg

Carried

Recommendation to Council AUD/2018/041

***That the Council***

**Adopts the Governance Members' Protected Disclosure Policy (R9579).**

Barker/Dahlberg

Carried

There being no further business the meeting ended at 12.36pm.

Confirmed as a correct record of proceedings:

\_\_\_\_\_ Chairperson \_\_\_\_\_ Date