

## Minutes of a meeting of the Audit and Risk Subcommittee

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

**On Tuesday 11 August 2020, commencing at 1.03p.m.**

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Present: Mr J Peters (Chairperson), Mr J Murray, Councillors J Edgar and R Sanson

In Attendance: Councillor G Noonan, Group Manager Corporate Services (N Harrison), Group Manager Environmental Management (C Barton), Governance Adviser (J Brandt) and Governance Support (K McLean)

Apology: Her Worship the Mayor R Reese (Council business)

### 1. Apology

Resolved AR/2020/026

***That the Audit and Risk Subcommittee***

- 1. Receives and accepts the apology from Her Worship the Mayor R Reese for absence on Council business.***

Peters/Edgar Carried

### 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 21 May 2020

Document number M9879, agenda pages 8 - 14 refer.

Resolved AR/2020/027

***That the Audit and Risk Subcommittee***

- 1. Confirms the minutes of the meeting of the Audit and Risk Subcommittee, held on 21 May 2020, as a true and correct record.***

Sanson/Murray

Carried

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

Document number R18151, agenda pages 15 - 16 refer.

Mr Peters spoke about the Interim Financial report for Elected Members which was being distributed via the Councillors newsletter for the periods between the financial reporting to the Governance and Finance Committee, for the purposes of financial oversight.

Mr Peters further spoke about a webinar some Members had attended on 14 July. The webinar was hosted by the Office of the Auditor General and focused on the specific risks arising from the COVID-19 pandemic.

Nelson City Council's journey towards an embedded high level of risk intelligence was discussed.

Mr Peters subsequently made a correction to the report, noting the wrong resolution from the Council meeting on 25 June 2020 had been included, and that the correct one was the resolution below:

*That the Council*

- 1. Receives the report New Zealand Local Government Funding Agency Amendments (R16983); and*
- 2. Authorises the Council's entry into the documentation noted in this report.*
- 3. Authorises the Mayor and Deputy Mayor to execute the following deeds for the purposes of recommendation 2 above:*
  - (i) Amendment and Restatement Deed (Multi-issuer Deed);*
  - (ii) Amendment and Restatement Deed (Notes Subscription Agreements); and*
  - (iii) Amendment and Restatement Deed (Guarantee and Indemnity).*

4. *Authorises the Chief Executive to execute the Chief Executive Certificate and such other documents and take such other steps on behalf of Council as the Chief Executive considers it is necessary to execute or take to give effect to recommendation 2 above.*

Resolved AR/2020/028

***That the Audit and Risk Subcommittee***

1. ***Receives the report Chairperson's Report (R18151).***

Peters/Sanson

Carried

## **7. Audit New Zealand - Audit Engagement Letter**

Document number R18115, agenda pages 17 - 31 refer.

Manager Finance, Clare Knox, presented the report and answered questions about Audit NZ fees and the timeline for signing the audit engagement letter, noting a recent change to the statutory deadline.

The Subcommittee provided some feedback, recommending that the Mayor signs the letter, subject to satisfactory conclusion of a fee structure for ensuing years.

Resolved AR/2020/029

***That the Subcommittee***

1. ***Receives the report Audit New Zealand - Audit Engagement Letter (R18115) and its attachment (A2409696); and***
2. ***Notes that following feedback from the Audit and Risk Subcommittee, Her Worship the Mayor will sign the Audit Engagement letter to Audit NZ.***

Edgar/Sanson

Carried

## **8. Annual Tax Update**

Document number R14819, agenda pages 32 - 83 refer.

Manager Finance, Clare Knox, presented the report.

Resolved AR/2020/030

***That the Audit and Risk Subcommittee***

- 1. Receives the report Annual Tax Update (R14819) and its attachments (A2415912, A2358418 and A2417124).***

Sanson/Murray

Carried

## **9. Interim Audit Report for the year ending 30 June 2020**

Document number R14821, agenda pages 84 - 108 refer.

Manager Finance, Clare Knox, presented the report and answered questions about the timely review of policies and NZ IFRS 16 leases.

Resolved AR/2020/031

### ***That the Audit and Risk Subcommittee***

- 1. Receives the report Interim Audit Report for the year ending 30 June 2020 (R14821) and its attachment (A2414826); and***
- 2. Notes the suggested responses to the recommendations (as per A2414826).***

Edgar/Sanson

Carried

## **10. Health, Safety and Wellbeing Report, January to June 2020**

Document number R18135, agenda pages 109 - 126 refer.

Health and Safety Adviser, Malcolm Hughes, presented the report. He gave an update regarding security incidents in section 4.2.1. of the report, noting that library staff had identified that the extent of the liquor ban area around the Elma Turner Library was not as extensive as previously assumed and were considering action to address this.

Mr Hughes answered questions about Nelson City Council's responsibilities regarding Elected Members' role of being contractors and officers at the same time. He answered further questions about safe driving, hazards, near misses, the marina hardstand and safe work observation opportunities for Elected Members.

Attendance: Councillor Noonan joined the meeting at 1.45p.m.

Resolved AR/2020/032

### ***That the Audit and Risk Subcommittee***

- 1. Receives the report Health, Safety and Wellbeing Report, January to June 2020 (R18135) and its attachment (A2404161).***

Sanson/Edgar

Carried

The meeting was adjourned from 2.00p.m. to 2.07p.m.

## **11. Key Organisational Risks Report - 01 January to 30 June 2020**

Document number R14813, agenda pages 127 - 158 refer.

Manager Business Improvement, Arlene Akhlaq, presented the report and answered questions about the development of a climate action framework to address environmental risks; loss of public trust in the organisation (risk 12), the effectiveness of controls in place, the review process, and the new risk software.

The Group Manager Corporate Services, Nikki Harrison, answered a question about the security of Council data stored on platforms outside of Council systems, such as Sharepoint.

Resolved AR/2020/033

### ***That the Audit and Risk Subcommittee***

- 1. Receives the report Key Organisational Risks Report - 01 January to 30 June 2020 (R14813) and its attachment (A2415845).***

Edgar/Sanson

Carried

## **12. New and Outstanding Significant Risk Exposures and Control Issues Identified from Internal Audits - 30 June 2020**

Document number R14818, agenda pages 159 - 162 refer.

Internal Audit Analyst, Lynn Anderson, presented the report. She gave an update about the contract management system. Ms Anderson and Ms Akhlaq answered questions about the recommendations regarding water contamination prevention, timeframes regarding procurement contract management, monitoring and management of contractor performance as well as the asset management system.

Resolved AR/2020/034

### ***That the Audit and Risk Subcommittee***

- 1. Receives the report New and Outstanding Significant Risk Exposures and Control Issues Identified from Internal Audits - 30 June 2020 (R14818) and its attachment (A2417196).***

Sanson/Murray

Carried

### **13. Internal Audit - Quarterly Progress Report to 30 June 2020**

Document number R18111, agenda pages 163 - 168 refer.

Internal Audit Analyst, Lynn Anderson, presented the report. Ms Akhlaq answered questions about process management improvements, and project management templates used by different parts of the organisation. She noted that sophisticated software was being rolled out this year and that the Capital Projects team would have full access to this.

Resolved AR/2020/035

#### ***That the Audit and Risk Subcommittee***

- 1. Receives the report Internal Audit - Quarterly Progress Report to 30 June 2020 (R18111) and its attachment (A2408483).***

Edgar/Sanson

Carried

### **14. Bad Debt Writeoff - Year Ending 30 June 2020**

Document number R14820, agenda pages 169 - 171 refer.

Accounting Services Manager, Victoria Harper, presented the report and answered questions about the current year's debt compared to last year's, and the quantity of debts. Group Manager Corporate Services, Nikki Harrison, answered questions about marina fees and processes in place to recover debt in this space.

Resolved AR/2020/036

#### ***That the Audit and Risk Subcommittee***

- 1. Receives the report Bad Debt Writeoff - Year Ending 30 June 2020 (R14820).***

Edgar/Sanson

Carried

Recommendation to Governance and Finance Committee AR/2020/037

***That the Governance and Finance***

- 1. Approves the balance of \$20,462.37 excluding GST owing by Concrete & Metals Ltd be written off as at 30 June 2020.***

Edgar/Sanson

Carried

**15. Exclusion of the Public**

Resolved AR/2020/038

***That the Audit and Risk Subcommittee***

- 1. Excludes the public from the following parts of the proceedings of this meeting.***
- 2. 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 are as follows:***

Sanson/Edgar

Carried

<b>Item</b>	<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Particular interests protected (where applicable)</b>
<b>1</b>	<b>Audit and Risk Subcommittee Meeting - Public Excluded Minutes - 21 May 2020</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7.	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>• Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person</li> <li>• Section 7(2)(g) To maintain legal professional privilege</li> </ul>
<b>2</b>	<b>Quarterly Update On Debts - 30 June 2020</b>	Section 48(1)(a)  The public conduct of this matter would be likely to result in disclosure of information for which	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>• Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person</li> <li>• Section 7(2)(g)</li> </ul>

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
		good reason exists under section 7	To maintain legal professional privilege
3	<b>Internal Audit Report - Transfer Station Kiosk</b>	Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>• Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person</li> </ul>
4	<b>Quarterly update on legal proceedings</b>	Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7	The withholding of the information is necessary: <ul style="list-style-type: none"> <li>• Section 7(2)(g) To maintain legal professional privilege</li> </ul>

The meeting went into confidential session at 3.06p.m. and resumed in public session at 4.06p.m.

**RESTATEMENTS**

It was resolved while the public was excluded:

1	<b>CONFIDENTIAL: Quarterly Update On Debts - 30 June 2020</b>
	<p><i>That the Audit and Risk Subcommittee</i></p> <p><b>3. <u>Agrees</u> that the Report (R18068) and its attachment (A2216183) remain confidential at this time.</b></p>

2	<b>CONFIDENTIAL: Internal Audit Report - Transfer Station Kiosk</b>
	<p><i>That the Audit and Risk Subcommittee</i></p> <p><b>2. <u>Agrees</u> that the report Internal Audit Report – Transfer Station Kiosk (R18139) remains confidential at this time.</b></p>



<b>3</b>	<b>CONFIDENTIAL: Quarterly update on legal proceedings</b>
	<b><i>That the Audit and Risk Subcommittee</i></b> <b>2. <u>Agrees</u> that the Report (R18148) and its attachment (A2429002) remain confidential at this time.</b>

There being no further business the meeting ended at 4.06p.m.

Confirmed as a correct record of proceedings:

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