



Notice of the Ordinary meeting of

## **Audit, Risk and Finance Committee**

### ***Te Kōmiti Kaute / Tūraru / Pūtea***

Date:	Friday 24 February 2023
Time:	9.00a.m.
Location:	Council Chamber Civic House 110 Trafalgar Street, Nelson

## **Agenda**

### ***Rārangi take***

**Chairperson**

Catherine Taylor

**Members**

His Worship the Mayor Nick Smith

Deputy Mayor Rohan O'Neill-Stevens

Cr Mel Courtney

Cr Rachel Sanson

Shanell Kelly

**Quorum 3**

**Lindsay McKenzie  
Interim Chief Executive**

Nelson City Council Disclaimer

Please note that the contents of these Council and Committee agendas have yet to be considered by Council and officer recommendations may be altered or changed by the Council in the process of making the formal Council decision. For enquiries call (03) 5460436.

## **Audit, Risk and Finance Committee**

This is a Committee of Council

### **Areas of Responsibility**

- Any matters raised by Audit New Zealand or the Office of the Auditor-General
- Audit processes and management of financial risk
- Chairperson's input into financial aspects of draft Statements of Expectation and draft Statements of Intent for Nelson City Council Controlled Organisations, Council Controlled Trading Organisations and Council Organisations
- Council's Annual Report
- Council's financial performance
- Council's Treasury policies
- Health and Safety
- Internal audit
- Monitoring organisational risks, including debtors and legal proceedings
- Procurement Policy

### **Powers to Decide**

- Appointment of a deputy Chair

### **Powers to Recommend to Council**

- Adoption of Council's Annual Report
- To write off outstanding accounts receivable or remit fees and charges of amounts over the Chief Executive's delegated authority.
- All other matters within the areas of responsibility or any other matters referred to it by the Council

For the Terms of Reference for the Audit, Risk and Finance Committee please refer to document NDOCS-1974015928-887.

**Audit, Risk and Finance Committee**

**24 February 2023**

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Page No.

**Karakia and Mihi Timatanga**

**1. Apologies**

Nil

**2. Confirmation of Order of Business**

**3. Interests**

3.1 Updates to the Interests Register

3.2 Identify any conflicts of interest in the agenda

**4. Public Forum**

**5. Quarterly Finance Report to 31 December 2022 6 - 34**

Document number R27419

Recommendation

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

- 1. Receives the report Quarterly Finance Report to 31 December 2022 (R27419) and its attachments (1857728953-647, 839498445-13756 and 839498445-13835).***

**6. Quarterly Internal Audit Report - 31 December 2022 35 - 39**

Document number R27420

Recommendation

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

1. ***Receives the report Quarterly Internal Audit Report - 31 December 2022 (R27420) and its attachment (1194974384-3349).***

**7. Quarterly Risk Report - 31 December 2022 40 - 43**

Document number R27421

Recommendation

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

1. ***Receives the report Quarterly Risk Report - 31 December 2022 (R27421).***

**8. Health, Safety and Wellbeing Report to 31 December 2022 44 - 61**

Document number R27426

Recommendation

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

1. ***Receives the report Health, Safety and Wellbeing Report to 31 December 2022 (R27426) and its attachment (855153265-3563).***

**9. Letter from Audit NZ on Annual Report for year ending 30 June 2022 62 - 102**

Document number R27491

Recommendation

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

1. ***Receives the report Letter from Audit NZ on Annual Report for year ending 30 June 2022 (R27491) and its attachment (2126778665-296); and***
2. ***Notes Audit NZ's comments and how officers intend to address the issues raised (2126778665-296).***

**CONFIDENTIAL BUSINESS**

**10. Exclusion of the Public**

Recommendation

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

- 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:***

<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>Quarterly Report 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>
<b>2</b>	<b>Quarterly Update on Debts - 31 December 2022</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>

**Karakia Whakamutanga**

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## **Quarterly Finance Report to 31 December 2022**

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### **1. Purpose of Report**

- 1.1 To inform the Committee of the financial results for Council for the first six months of 2022/23, and to highlight any material variations.

### **2. Recommendation**

*That the Audit, Risk and Finance Committee*

- 1. **Receives the report Quarterly Finance Report to 31 December 2022 (R27419) and its attachments (1857728953-647, 839498445-13756 and 839498445-13835).***

### **3. Background**

- 3.1 The whole of Council financial reporting provided to this Committee focuses on the six-month performance (1 July 2022 to 31 December 2022) compared with the year-to-date (YTD) approved capital and operating budgets. The quarterly report includes Nelson City Council performance only and does not include its subsidiaries, associates, and joint ventures.
- 3.2 Unless otherwise indicated, all information is against approved operating budgets, which is Annual Plan 2022/23, plus any carry forwards, plus or minus any other additions or changes as approved by the Council.
- 3.3 Commentary is provided below for significant variances of +/- \$100,000.

### **4. Financial Performance**

- 4.1 For the six months ending 31 December 2022, the Council's draft deficit is \$12,397,000 unfavourable to budget, primarily driven by unbudgeted expenditure (net of recoveries) on the August 2022 weather event of \$10.1m.

## Item 6: Quarterly Finance Report to 31 December 2022

### 4.2 **Profit and Loss**

	YTD Actuals	YTD Operating Budget	YTD Variance	Full Year Operating Budget	Full Year AP Budget
<b>Income</b>	<b>(68,978,221)</b>	<b>(66,442,581)</b>	<b>2,535,640</b>	<b>(137,449,525)</b>	<b>(137,341,326)</b>
Rates Income	(39,196,159)	(39,113,212)	82,947	(78,226,419)	(78,226,419)
Other Income	(29,782,062)	(27,329,369)	2,452,693	(59,223,106)	(59,114,907)
<b>Expenses</b>	<b>89,858,891</b>	<b>74,926,027</b>	<b>14,932,864</b>	<b>151,358,984</b>	<b>148,014,086</b>
Staff Operating Expenditure	17,400,837	16,395,821	1,005,016	32,928,764	32,840,564
Base Expenditure	27,608,010	26,983,446	624,564	51,633,018	51,329,657
Unprogrammed Expenses	2,770,738	3,407,088	(636,350)	6,775,628	4,747,055
Programmed Expenses	5,221,749	6,707,244	(1,485,495)	17,254,532	16,329,774
Weather Event	12,031,421	0	12,031,421	0	0
Finance Expenses	6,745,074	5,853,156	891,918	11,410,757	11,410,757
Depreciation	18,081,062	15,579,272	2,501,790	31,356,285	31,356,279
<b>(Surplus) / Deficit</b>	<b>20,880,670</b>	<b>8,483,446</b>	<b>12,397,224</b>	<b>13,909,459</b>	<b>10,672,760</b>
<b>Capital Expenditure</b>	<b>31,107,098</b>	<b>41,974,630</b>	<b>(10,867,532)</b>	<b>93,976,307</b>	<b>78,086,207</b>

### 4.3 **Income**

4.4 **Rates income is greater than budget by \$83,000.** This is a result of wastewater rates being over budget. This is due to more connections being added than budgeted (the budget workings were completed in May and the rate strike in July).

4.5 **Other income is greater than budget by \$2.5m with significant variances as follows:**

4.5.1 **Waka Kotahi Maintenance Income is greater than budget by \$1.9m.** This is the result of \$1.9m in unbudgeted funding for the flood recovery (i.e., 51% of \$3,736,000 spent on subsidised roading expenditure for the floods).

4.5.2 **Investment Management income is greater than budget by \$0.6m.**

Interest from Nelson Regional Sewerage Business Unit is greater than budget by \$178,000 due to, a) an increase in the loan amount, and b) an increase in interest rates.

Interest on Short Term Investment is over budget by \$437,000 due to more funds being invested than planned because of pre-funding of debt to take advantage of favourable borrowing conditions at the time.

4.5.3 **Public Transport income is greater than budget by \$0.4m.** \$200,000 of this income is due additional subsidy for the half price bus fares. The remaining is due to increased subsidy income from Waka Kotahi for additional expenditure.

4.5.4 **Developing Resource Management Plan income is greater than budget by \$0.3m.** All this income was generated from the Maitahi Bayview plan change recovery charges. This income is unbudgeted costs which are included in expenses below. Recoveries for these costs are \$312,000.

## Item 6: Quarterly Finance Report to 31 December 2022

- 4.5.5 **Building Services income is greater than budget by \$0.3m.** Quality Assurance levies and revenue are over budget by \$198,000, and \$113,000 respectively with stronger market demand than anticipated for the first half of the year.
- 4.5.6 **Water Supply income is greater than budget by \$0.1m.** Water by meter Commercial is \$146,000 over budget. This is due to higher than anticipated water usage.
- 4.5.7 **Three Waters Grant income is greater than budget by \$0.1m.** Year to date there has been \$133,500 collected for transitional support and there is a further \$0.5m available for the financial year. This was unbudgeted.
- 4.5.8 **Navigational Safety Income is greater than budget by \$0.1m.** This income of \$141,000 is from payments for the Harbour Master services from Port Nelson Limited.
- 4.5.9 **MBIE Income is greater than budget by \$0.1m.** There has been an unbudgeted spend on responsible camping initiatives which has been funded by MBIE.
- 4.5.10 **Transfer Station income is greater than budget by \$0.1m.** Landfill local disposal levies is over budget by \$105,000 due to expenses also being over budget. The details of the expenditure items are mentioned in the expenses section below.
- 4.5.11 **Wastewater income is less than budget by \$0.2m.** Commercial Trade Waste income is under budget by \$200,000 due to delays in data collection for NZ King Salmon.
- 4.5.12 **BeeCard Trip income less than budget by \$0.2m.** This is due to the half price fares (which was topped by through Waka Kotahi income above), as well as 1 week free bus fare in August during the flood event.
- 4.5.13 **Forestry income is less than budget by \$0.2m.** This is due to changes to the planned timing of harvesting that affected the harvest revenue as follows: Maitai Forest income is \$591,000 over budget. Marsden Forest is \$454,000 over a nil budget, Roding Forest income is \$1,215,000 under budget.
- 4.5.14 **Monitoring the Environment income is less than budget by \$0.2m.** The income budgeted to be received from the MPI Hill Country Erosion fund is yet to be invoiced. This will be invoiced upon completion of deliverables and reporting. The amount to be invoiced will be \$320,000 by the end of financial year.
- 4.5.15 **Resource Consents income is less than budget by \$0.1m.** Consent Fees are \$134,000 under budget as application numbers are tracking lower than budgeted for.
- 4.5.16 **Waste Minimisation income is less than budget by \$0.1m.** The contribution from Waste Minimisation Fund is less than budget by



## Item 6: Quarterly Finance Report to 31 December 2022

\$342,000. This will be claimed once the costs have been incurred for the diversion of construction and demolition waste.

4.5.17 **Maitai Camp income is less than budget by \$0.1m.** Revenue from camp fees and rentals are down due to lower than budgeted occupancy.

4.5.18 **Marina income is less than budget by \$0.1m.** Fees from the travel lift are lower than budgeted by \$103,000 due to lower usage than anticipated.

### 4.6 **Expenses**

4.6.1 **Staff Operating expenditure is greater than budget by \$1.0m.**

This is mainly due to following reasons;

- Actual average salary increase (5%) is higher than the budgeted increase of 3% as a result of higher wage inflation than anticipated when the budget was set. In dollar figures, the increase in YTD salaries is approximately \$773,000 against a budget of \$411,000 which resulted in a higher than budget variance of \$362,000.
- On top of the higher paid wages, the labour shortages in the market have meant a higher turnover of council staff, leading to higher than budgeted Contractor/temporary staff costs (\$408,000 YTD) and training costs (\$55,000 YTD).
- The remaining \$0.2m is due to other staff costs, such as overtime paid (\$11,000), higher recruitment costs (\$33,000 over budget), additional leave and call out allowances for those staff who worked during the August 2022 floods, and additional leave for those staff who worked on the additional unbudgeted public holiday. There have also been a few unbudgeted new roles, for instance Navigators (\$22k).

While most of the business units contributed to this higher than planned variance, Consents and Compliance (\$369,000 over budget), Capital Projects (\$169,000 over budget), Transport & Solid Waste (\$122,000 over budget), People and Capability (\$98,000 over budget) and Building (\$93,000 over budget) were the biggest contributors.

4.7 **Base Expenditure is greater than budget by \$0.6m with significant variances as follows:**

4.7.1 **Forestry expenditure is greater than budget by \$0.4m.** Maitai (\$711,000) and Marsden Valley (\$409,000) harvest costs are over budget due to work being brought forward while Roding harvest costs are \$738,000 under budget.

4.7.2 **Resource Consents expenditure is greater than budget by \$0.1m.** This is to deal with the increased volume and complexity of consents being sought.

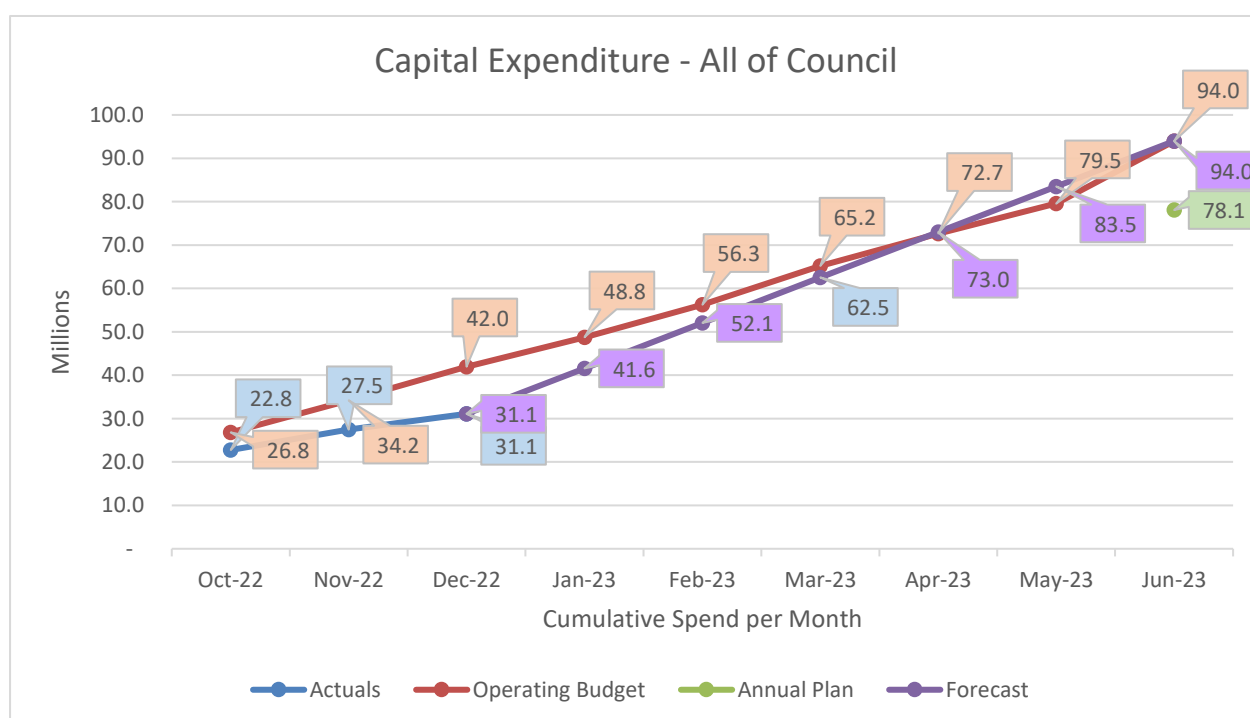
Item 6: Quarterly Finance Report to 31 December 2022

- 4.7.3 **Developing the Resource Management Plan expenditure is greater than budget by \$0.3m.** This is due to the unbudgeted consultant cost of \$324,000 incurred on Maitahi Bayview plan change which was fully recovered in income.
- 4.7.4 **Subsidised Bus Service is greater than budget by \$0.2m.** This is due to fuel price rises and an increase in bus driver wages. This is subsidised via income.
- 4.7.5 **Regional Sewerage expenditure is greater than budget by \$0.6m.** This is due to increases in fixed charges and charges for loads greater than budgeted for, plus increased costs associated with the flows from the August weather event.
- 4.7.6 **Landfill expenditure is greater than budget by \$0.1m.** This is due to variation in disposal levies required from Waste Minimisation, Transfer Station and recycling. The differences are funded from reserves.
- 4.8 **Unprogrammed Expenditure is less than budget by \$0.6m with significant variances as follows:**
- 4.8.1 **City Development expenditure is less than budget by \$0.5m.** This variance is solely due to the unbudgeted housing reserve grant payments which are scheduled to be paid in the 2023/24 financial year.
- 4.9 **Programmed Expenditure is less than budget by \$1.5m with significant variances as follows:**
- 4.9.1 **Monitoring the Environment is less than budget by \$0.3m.** Healthy streams and Hill Country Erosion expenses are behind by \$123,000 and \$154,000 respectively, although the full spend is expected by the end of the 2022/23 financial year.
- 4.9.2 **Environmental Advocacy is less than budget by \$0.2m.** The full spend for the Nelson Nature and Maitai projects are expected by the end of the financial year.
- 4.9.3 **Stormwater expenditure is less than budget by \$0.1m.** A variety of expenditure items are under budget across the activity.
- 4.10 **Weather Event expenditure is an unbudgeted spend of \$12.0m.** The spend to date for the August 2022 weather event is \$12,031,000. Offsetting these expenses is income from Waka Kotahi of \$1.9m for subsidised roading (51% of actual roading costs expensed).
- The weather event report goes to council quarterly and the next report is going to the meeting on 9 March 2023. The forecast weather event costs for 2022/23 is currently \$19.2 million (gross of recoveries).
- 4.11 **Finance expenditure is greater than budget by \$0.9m.** \$437,000 is due an increase in interest from additional pre-funding of debt (which is offset against interest income). The remaining is mainly due to the interest rate increases and higher weather event borrowings.

- 4.12 **Depreciation expenditure is greater than budget by \$2.5m.** Depreciation has been based on the prior year asset valuations. In the 2021/22 financials, the asset valuations saw significant increases. This resulted in a much higher depreciation expense. This is especially evident in Roads (unsubsidised), Wastewater, Stormwater, Water Supply, with year to date increases in depreciation of \$1,267,000, \$475,000, \$321,000 and \$551,000 respectively.

## 5. Capital Expenditure

### 5.1 Capital Expenditure (including staff time, excluding vested assets)



- 5.2 As at 31 December 2022, Capital Expenditure was \$31.1 million, which is \$10.9 million under the operating budget of \$42.0 million. This underspend is across all activities, with the main contributors being Stormwater (\$3.2 million), Transport (\$1.9 million), Corporate (\$1.4 million), Social (\$1.3 million), and Flood Protection (\$1.1 million).
- 5.3 Out of the \$10.9 million variance above, \$4.7 million relates to Renewals, \$6.4 million relates to Level of Service, and \$0.1 million relates to Capital Staff Costs. Offsetting this, Capital Growth is \$0.3 million over budget.
- 5.4 The largest year to date capital variances contributing to the \$10.9 million variance are as follows:

**Renewals (less than budget by \$4.7 million):**

- Civic House is \$1.0m behind budget.

## Item 6: Quarterly Finance Report to 31 December 2022

- A programme to resurface 2% of the network is \$1.0m behind budget. This is due to a short lead in period for the new contractor and the challenging resourcing market. Plans are in place to meet budget because a sustained low resurfacing rate will result in deterioration of the pavement assets.
- Haven St/Vincent Culvert renewal is \$0.9m behind budget and has requested to carry-forward to 2023/24.

### Level of Service (**less than budget by \$6.4 million**):

- Saxton Creek Upgrade is \$1.6m behind budget.
- Elma Turner Library is \$1.2m behind budget.
- Rutherford Stage 1 – Stormwater upgrade is \$1.1m behind budget.
- Washington Valley Stormwater Upgrade is \$1.0m behind budget.
- Tahunanui Hills Stormwater catchment 3 and 4 is \$0.7m behind budget in total.

### Capital Growth (**greater than budget by \$0.3 million**):

- Land purchases is \$0.7m over budget, with purchases at Saxton, Bayview and Toi Toi.

## 6. Cash Flow Management

### 6.1 Net Debt

	Dec YTD Actuals
<b>Opening Net Debt (Total Borrowings Less Cash &amp; Term Deposits)</b>	<b>(112,254,093)</b>
Cash Movement	(12,506,748)
Debt Movement	(19,250,000)
<b>Closing Net Debt (Total Borrowings Less Cash &amp; Term Deposits)</b>	<b>(144,010,841)</b>
Debt/Revenue Ratio	95%
Borrowing Compliance with Covenants (<150%)	Yes

6.2 As at 31 December 2022, there was net debt of \$144.0 million (30 June 2022: \$112.3m). Net debt has increased by \$31.8m for the 6 months ended 31 December 2022, with LGFA borrowings increasing by \$20.0m, and term deposits decreasing by \$10.0m. This increase in net debt has been used to fund the August 2022 weather event (\$10.1m net expenditure), capital expenditure during the year (\$15.5m, net of funded depreciation), as well as to fund working capital (\$4.3m net payables at 30 June 2022).

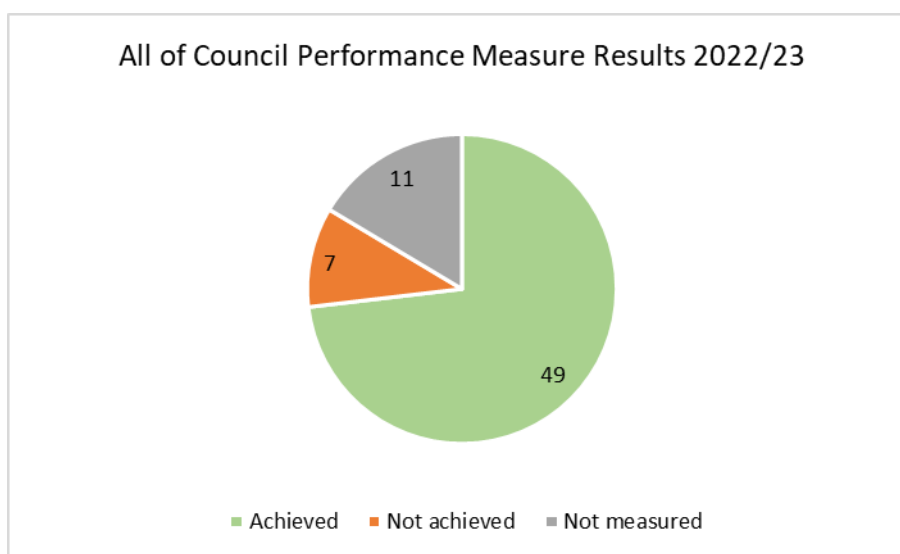
6.3 Budgeted net debt at 30 June 2023 was \$161m, this is now forecast to be \$174m.

## 7. Project Health

- 7.1 A table summarising the health of projects across Council for which project sheets have been generated is included as attachment 2. It gives a red, amber or green rating for quality, time and budget factors.
- 7.2 The majority of amber and red are as a result of delays – this was perpetuated with the wet winter and the weather event.
- 7.3 Projects on hold indicate projects that require further workshops or discussion.

## 8. Performance Measures

- 8.1 Council reports on 67 non-financial performance measures across its activity areas, as set out in the Long Term Plan 2021-31. These are evaluated as 'on track/not on track/not measured yet' for the first three quarters of the year.
- 8.2 Of the 67 measures, 49 are on track to achieve, 7 are not on track, and 11 have not been able to be measured yet as at quarter two. (31 March 2022 results were 50, 9 and 8 respectively).



- 8.3 Attachment 3 details Council's performance measure results so far across all its activities.

**Author: Prabath Jayawardana, Manager Finance**

## Item 6: Quarterly Finance Report to 31 December 2022

### **Attachments**

Attachment 1: 1857728953-647 - Finance Dashboard and Graphs - Quarter two 2022/23 [↓](#)

Attachment 2: 839498445-13756 - Project Health Summary 1 Oct - 31 December 2022 [↓](#)

Attachment 3: 839498445-13835 - Quarterly Reporting - 22-23 - Performance Measures [↓](#)















































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## **Quarterly Internal Audit Report - 31 December 2022**

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### **1. Purpose of Report**

- 1.1 To update the Audit, Risk and Finance Committee on the internal audit activity for the half year to 31 December 2022.

### **2. Recommendation**

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

- 1. Receives the report Quarterly Internal Audit Report - 31 December 2022 (R27420) and its attachment (1194974384-3349).***

### **3. Background**

- 3.1 Under Council's Internal Audit Charter approved by Council on 15 November 2018 the Audit, Risk and Finance Subcommittee (now a Committee) requires a periodic update on the progress of internal audit activities. The 2022-23 Internal Audit Plan (the Plan) was approved by the Audit, Risk and Finance Subcommittee on 24 May 2022. The Plan provides for four planned audits, with an allowance for a further one 'unplanned' audit.

### **4. Overview of Progress on the 2022/23 Internal Audit Plan**

- 4.1 One 'unplanned' audit and two planned and have been completed as at 31 December 2022:
- 4.1.1 Controls audit of workplace stress
  - 4.1.2 Annual fraud & conflict of interest control effectiveness assessment
  - 4.1.3 'Unplanned' audit, harbourmaster operations
- 4.2 Further details of Plan progress are provided in Attachment 1 - Annual Audit Plan Progress to 31 December 2022.

**5. Significant external audits that are not reported separately to the Audit, Risk and Finance Committee**

- 5.1 The International Accreditation New Zealand's (IANZ's) Building Consent Authority (BCA) two-yearly audit is due to commence in June 2023. In preparation, the Building business unit has commissioned an internal audit (completed by an external contractor) which, amongst other things, will look at compliance with Regulation 18 – Requiring technical qualifications and Regulation 15 – Keeping organisational records.
- 5.2 Progress on recommendations relating to the external review of council processes for managing large construction projects, focusing on the Greenmeadows Pūtangitangi building will be provided next quarter.

**Author: Chris Logan, Audit and Risk Analyst**

**Attachments**

Attachment 1: 1194974384-3349 Annual Audit Plan Progress - 31 Dec 2022 [↓](#)







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## **Quarterly Risk Report - 31 December 2022**

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### **1. Purpose of Report**

- 1.1 To provide information to the Audit, Risk and Finance Committee on the organisational risks through to end of the first half of 2022-23.

### **2. Recommendation**

*That the Audit, Risk and Finance Committee*

- 1. Receives the report **Quarterly Risk Report - 31 December 2022 (R27421)**.*

### **3. Background**

- 3.1 This report includes information on risk management practice, a summary of Council risks and a deeper dive into key risk areas, divided by risk theme (organisational risks) and reporting Group.

### **4. Risk Management Practice**

- 4.1 The 2022-23 risk management work plan includes:
- 4.1.1 risk training for four business units
  - 4.1.2 two team leader or manager anti-fraud trainings
  - 4.1.3 new councillor risk management induction
  - 4.1.4 review risk tolerance with new chair of Audit, Risk and Finance
  - 4.1.5 updating the legal compliance consequence description

### **5. Putting Organisational Risks in Context**

- 5.1 This section summarises risks relating to Council and joint operations. Risks relating to subsidiaries and joint ventures are limited to ownership risks. Risks relating to contracted-out activities are limited to



## Item 8: Quarterly Risk Report - 31 December 2022

residual/non-contracted-out risks. Specific asset, activity, legal matter, or project risks are rolled up into more general asset, activity, legal or project risks however any significant items are summarised in the last section.

- 5.2 There were 478 risk entries in the centralised register at 19 December 2022 compared to 437 at 30 June 2022, with 11 risks deleted and 52 risks added.
- 5.3 Thirty-two of the risk entries have status overdue (treatments have not been signed off) compared to 13 at 30 June 2022. A level of 10-20 overdue risk entries would be considered reasonable given the treatment renewal process is new and the sign-off delays associated with newly identified risks. An effort is being made to bring overdues down early next calendar year to a more acceptable level.
- 5.4 Risk entries are categorised in two ways:
  - 5.4.1 risks with no apparent common theme or cause and hence unlikely to pose a threat at an organisational level (348 risk entries), and
  - 5.4.2 risks with identified common themes or causes which create risk concentrations that pose a threat at an organisational level (130 risk entries)
- 5.5 The latter is the focus of this report and further detail is provided the next section.

## **6. Key Risk Areas By Theme (Organisational Risks)**

- 6.1 A summary of key risk themes is provided below:
- 6.2 R1 - Central-government-led-reforms (Owner: Chief Executive). Whilst noting that project management is in place to manage organisational changes within the three-waters transition program both at the elected member and staff level, the risk rating remains at Very High.
- 6.3 R2 - Lifeline services failure (Owner: Group Manager Infrastructure). Flood-recovery work is ongoing, with contractor/resource capacity constraints and detailed scoping for many permanent infrastructure repairs yet to be completed. No other new emerging risks to report at this time. The risk rating remains at Medium.
- 6.4 R3 - Illness, injury or stress from higher hazard work situations (Owner: Group Manager Corporate Services). A review of underlying risk register entries for this organisational risk was completed, with the assistance of the Health Safety & Wellness Adviser, during the first half of the financial year resulting in a decreased risk score for some risks. However, the risk rating remains at High.

## Item 8: Quarterly Risk Report - 31 December 2022

- 6.5 R4 - Loss of service performance from ineffective contracts and contract management (Owner: Chief Executive). Work on planned treatments paused due to staff vacancies. The risk rating remains at Medium.
- 6.6 R5 - Compromise of Council service delivery from information technology failures (Owner: Group Manager Corporate Services). No new emerging risks to report at this time. The risk rating remains at Low.
- 6.7 R6 - Council work compromised by loss of and difficulties in replacing skilled staff (Owner: Manager People and Capability). At end of December there were 53 vacancies (cf. 47 vacancies in May), some of which have been open for some time despite repeated recruitment efforts, engaging recruitment consultants and re-evaluating the job description. The organisational risk rating remains at Medium.
- 6.8 R7 – Legal Risk (Owner: Group Manager Strategy and Communications). Increased legal risks as part of the flood recovery e.g. Council slips on private land – rated Medium. No other emerging organisational risks to report at this time noting that any new legal proceedings or emerging areas of increased litigation risk are separately reported in the quarterly report on legal proceedings. The organisational risk rating remains at Medium.
- 6.9 R8 - Reputation damage and loss of public trust in the organisation (Group Manager Strategy and Communications). No new emerging risks to report at this time. The risk rating remains at Medium.
- 6.10 R9 - Disruption to Council service delivery due to significant increase in COVID-19 cases (Owner: Chief Executive). Insignificant impact on Council services to date. The organisational risk rating remains at Medium.

### **7. Key Risk Areas By Reporting Group**

- 7.1 Office of the Chief Executive: No new emerging risks to report at this time.
- 7.2 Infrastructure Group: COVID-19 related risks are being realised including on-site project delays from self-isolation requirements and previously noted related supply chain risks for materials. The Utilities and Roding business units, NTRLBU and NRSBU labour and contractor capacity remains constrained resulting in elevated operational risk. For the Utilities team, the situation is expected to deteriorate especially with the work expected on the three-waters reform.
- 7.3 Community Services Group: Risks associated with Council owned campgrounds (two operated and one leased) remain elevated whilst non-compliance remediation actions are being implemented. Specifically, the risk around displacing vulnerable people is being closely managed at present through significant support being provided to residents. The risks previously monitored by elected members through the Strategic Development and Property Subcommittee have been monitored through

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the usual organisational processes since that subcommittee ceased operating.

- 7.4 Environmental Management Group: No new emerging risks to report at this time.
- 7.5 Strategy and Communications Group: Retention and recruitment continues to be a challenge, magnifying certain risks such as workplace stress.
- 7.6 Corporate Services Group: No new emerging risks to report at this time.

**Author: Chris Logan, Audit and Risk Analyst**

### **Attachments**

Nil

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## **Health, Safety and Wellbeing Report to 31 December 2022**

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### **1. Purpose of Report**

- 1.1 To provide the Committee with a report on health, safety and wellbeing data collected over the period July to December 2022.
- 1.2 To update the Committee on key health and safety risks, including controls and treatments.

### **2. Summary**

- 2.1 A number of incidents at the Matai Camp have resulted in a review of Camp security and staff safety.
- 2.2 Council's key health and safety risk COVID-19 impacts has decreased since the previous report.
- 2.3 Two risks have been removed from the key health and safety risks.

### **3. Recommendation**

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

1. ***Receives the report Health, Safety and Wellbeing Report to 31 December 2022 (R27426) and its attachment (855153265-3563).***

### **4. Background**

- 4.1 Elected members, as 'Officers' under the Health and Safety at Work Act 2015 (HSWA), are required to undertake due diligence on health and

## Item 9: Health, Safety and Wellbeing Report to 31 December 2022

safety matters. Council's Health and Safety Governance Charter states that Council will receive quarterly reports regarding the implementation of health and safety. Council has delegated the responsibility for health and safety to the Audit, Risk and Finance Committee.

- 4.2 Health, safety and wellbeing performance data reports provide an overview based on key lead and lag indicators. Where a concerning trend is identified more detail is provided to better understand issues and implement appropriate controls.
- 4.3 Providing an update on key health and safety risks expands on the very high-level overview provided in the organisational risk report.
- 4.4 There was no Audit, Risk and Finance Committee meeting to report to following quarter one 22/23, therefore this report includes incidents from a six-month period.

### **5. Discussion**

- 5.1 Incidents of note:
  - 5.1.1 All injury or illness incidents of minor severity or greater for the reporting period are noted in the attachment; any significant incidents or incident trends of note are outlined below.
  - 5.1.2 Three lower back injuries were reported by library staff. Increased book handling is required to provide services while operating out of a smaller space. Additional injury prevention training has been provided to library staff by an occupational therapist and book handling processes will be carefully monitored and managed as more library space re-opens.
  - 5.1.3 A contractor was brushed by a passing bus while visiting the Rutherford Street stormwater project, the contractor was talking to workers inside the site through the site fencing and had not signed into the site at the time of the incident. The contractor has provided a full investigation report and implemented corrective actions.
  - 5.1.4 Two near miss incidents involving separate contractors related to heavy objects falling from height. In both cases the key control of not having workers under suspended loads was effective at preventing harm. Further controls have been implemented by these contractors to reduce the likelihood of objects falling from height.
  - 5.1.5 All the security incidents reported in the park's category were at Council run campgrounds with the majority for this reporting period being at the Maitai Valley Campground. Camp staff have completed aggressive customer training and a security consultant has provided recommendations for improvements to physical security. These recommendations are being considered and actions prioritised by Council officers. Additional security guard services were engaged at campgrounds over the busy new year period and during The Bay Dreams Event.

## Item 9: Health, Safety and Wellbeing Report to 31 December 2022

- 5.1.6 The Marina reported several incidents related to criminal behaviour on vessels and other areas of the marina. Liaison with police is occurring and CCTV improvements are planned.
- 5.2 COVID-19 Response
  - 5.2.1 The second and third waves of Omicron in July and December impacted a number of staff. Effective workplace controls have kept rates of workplace transmission low even though very few mandatory controls remain.
  - 5.2.2 Staff reporting of COVID-19 positive test results allows for a timely response to information about possible workplace exposure and ensures the effectiveness of controls can be monitored.
  - 5.2.3 Council's COVID monitoring group monitors data and COVID-19 news on an ongoing basis. The monitoring group currently meets six weekly and reports to SLT if a significant trend or risk is identified.
- 5.3 Lead Indicators
  - 5.3.1 Reported contractor health and safety oversight activities such as safe work observations and health and safety document reviews remain significantly lower than 2021 levels. Discussions with staff indicate that this a reflection of not reporting these activities in the health and safety database rather than not completing them.
  - 5.3.2 A trial of remote workstation assessments and having more staff present in the workplace has allowed for an increasing number of workstation assessments to be completed.
- 5.4 Due Diligence Activities
  - 5.4.1 Three safe work observations or safety tours were reported for this period and are detailed in the attachment. Only one of these was attended by an elected member.
  - 5.4.2 During July and August these site visits for elected members were not scheduled due to COVID-19 risk. Following this the election and induction of the new Council impacted the ability to schedule workplace visits with a specific focus on health and safety.
  - 5.4.3 A review of the Health and Safety Governance Charter is scheduled for April 2023.

## **6. Key Health, Safety and Wellbeing Risks**

- 6.1 Key health, safety and wellbeing risks have been reviewed. Changes to treatments and controls since the previous report are shown in red text.

## Item 9: Health, Safety and Wellbeing Report to 31 December 2022

- 6.2 The key risks contractor health and safety oversight, customer aggression and workplace stress remain unchanged.
- 6.3 COVID-19 (That staff or others are infected with COVID-19 at a Council workplace) risk has been assessed as decreasing from medium(10) to medium(8). This risk will be removed from Councils key health and safety risks when the risk decreases further.
- 6.4 The review of the key health and safety risks identified that the title 'high energy sources (that staff or others are seriously injured due to inadequate control of high energy sources)'. was potentially confusing and this risk has been renamed as 'Specific high consequence activity risks (that staff or others are seriously injured as a result of specific hazardous work)'. This addresses a number of high consequence but very low likelihood risks associated with Council work and includes driving and working in spaces with earthquake prone ceilings.
- 6.5 The risk 'sedentary or strenuous work (staff becoming unwell or injured due to the sedentary or strenuous nature of their work)' has been removed from Council's key health and safety risks. Although the majority of Council staff may be exposed to these risks, consequences are generally low and processes for control of these risks are comprehensive and well understood.
- 6.6 The risk 'emergency preparedness (that emergency plans for Council work and workplaces are not effective when required, resulting in increased harm from an adverse event)' has also been removed from Council's key health and safety risks. A review of this risk identified that although improvements can be made in emergency plans and procedures a greater reduction in risk was likely to be achieved by an increased focus on the underlying high consequence risks such as remediation of earthquake prone ceilings and ensuring safe vehicle use.

**Author:** Malcolm Hughes, Health Safety and Wellness Adviser

### **Attachments**

Attachment 1: 855153265-3563 - Health, Safety and Wellbeing Report - July-December 2022. [↓](#)

































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## Letter from Audit NZ on Annual Report for year ending 30 June 2022

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### 1. Purpose of Report

- 1.1 To provide the letter to the Council on the audit for the year ending 30 June 2022 from Audit NZ.

### 2. Recommendation

*That the Audit, Risk and Finance Committee*

1. ***Receives the report Letter from Audit NZ on Annual Report for year ending 30 June 2022 (R27491) and its attachment (2126778665-296); and***
2. ***Notes Audit NZ's comments and how officers intend to address the issues raised (2126778665-296).***

### 3. Background

- 3.1 Audit New Zealand (Audit NZ) issued an unmodified audit opinion on 15 December 2022 for the financial year ending 30 June 2022. This means that it was satisfied that the financial statements fairly reflected Council's activities for the year and its financial position at the end of the financial year.
- 3.2 Audit NZ included an Emphasis of Matter paragraph to draw attention to the disclosure, in the financial statements, of the inherent uncertainties in the Government's proposed Three Waters Reform programme.
- 3.3 After the audit is completed, Audit NZ issues a management letter to Council outlining the findings of the audit.
- 3.4 In the letter to Council, received on 27 January 2023 (Section 3, Attachment 1), Audit NZ comment on a number of matters considered in the Audit Plan to be the main audit risks and issues:

Item 10: Letter from Audit NZ on Annual Report for year ending 30 June 2022

- Property, plant and equipment revaluations, impairment and fair value assessments
- Capital asset additions and work-in-progress
- Three Water Reform
- Compliance with drinking water standards
- Accounting for Nelson City Council group entities
- COVID-19 pandemic
- Rates
- Risk of management override of internal controls

3.5 Matters identified during the audit include:

- Revaluation of infrastructure assets
- Drinking water quality performance measures (protozoa and bacteria)
- Greenhouse gas emissions reporting

#### **4. Conclusion**

- 4.1 That the Committee notes the matters raised in the management letter for the year ending 30 June 2022 and the manner in which officers propose to address them.

**Author: Prabath Jayawardana, Manager Finance**

#### **Attachments**

Attachment 1: 2126778665-296 - Report to Governors - Final [↓](#)























































































