



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**  
**Members**

Catherine Taylor  
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:***

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
<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.

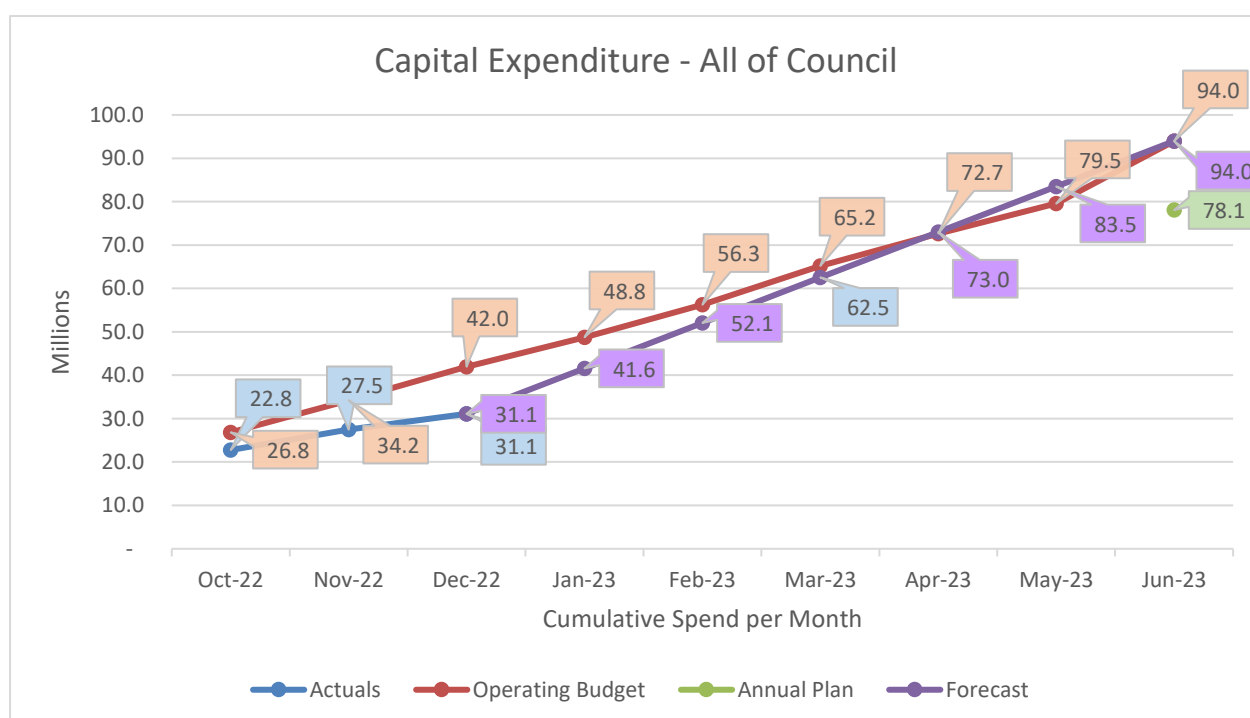
## Item 6: Quarterly Finance Report to 31 December 2022

- 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
Opening Net Debt (Total Borrowings Less Cash & Term Deposits)	(112,254,093)
Cash Movement	(12,506,748)
Debt Movement	(19,250,000)
Closing Net Debt (Total Borrowings Less Cash & Term Deposits)	(144,010,841)
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.

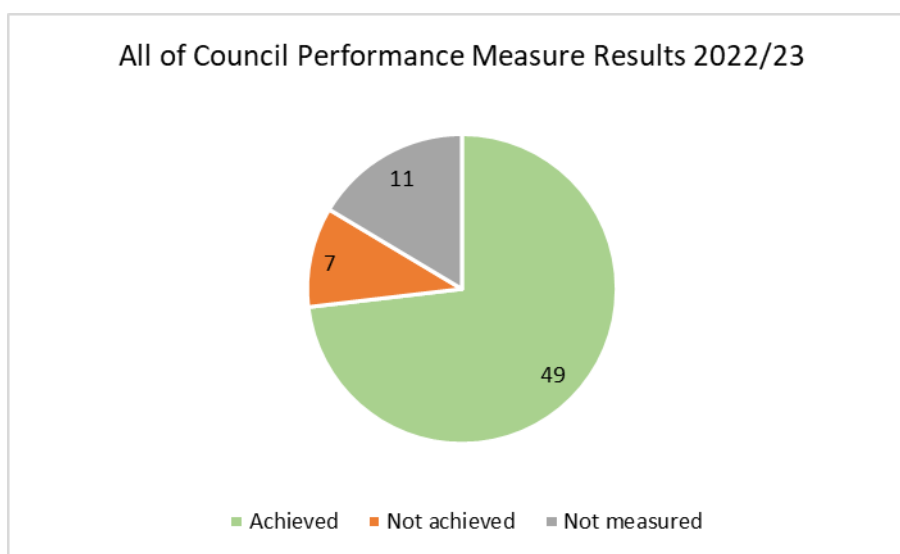


## 7. Project Health

- 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.







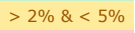

**Author:** Prabath Jayawardana, Manager Finance

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

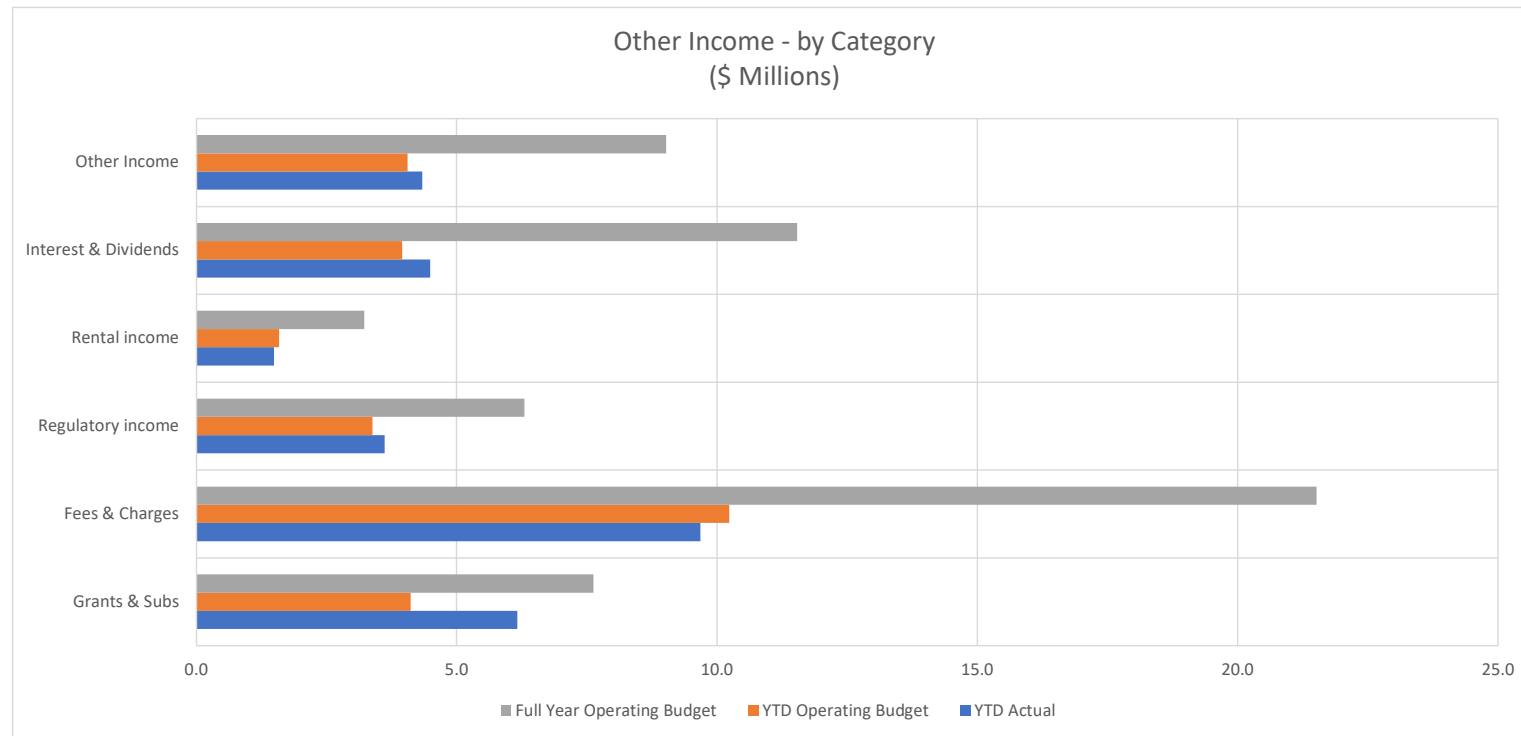
### **Attachments**

- 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 [↓](#)

# Item 6: Quarterly Finance Report to 31 December 2022: Attachment 1

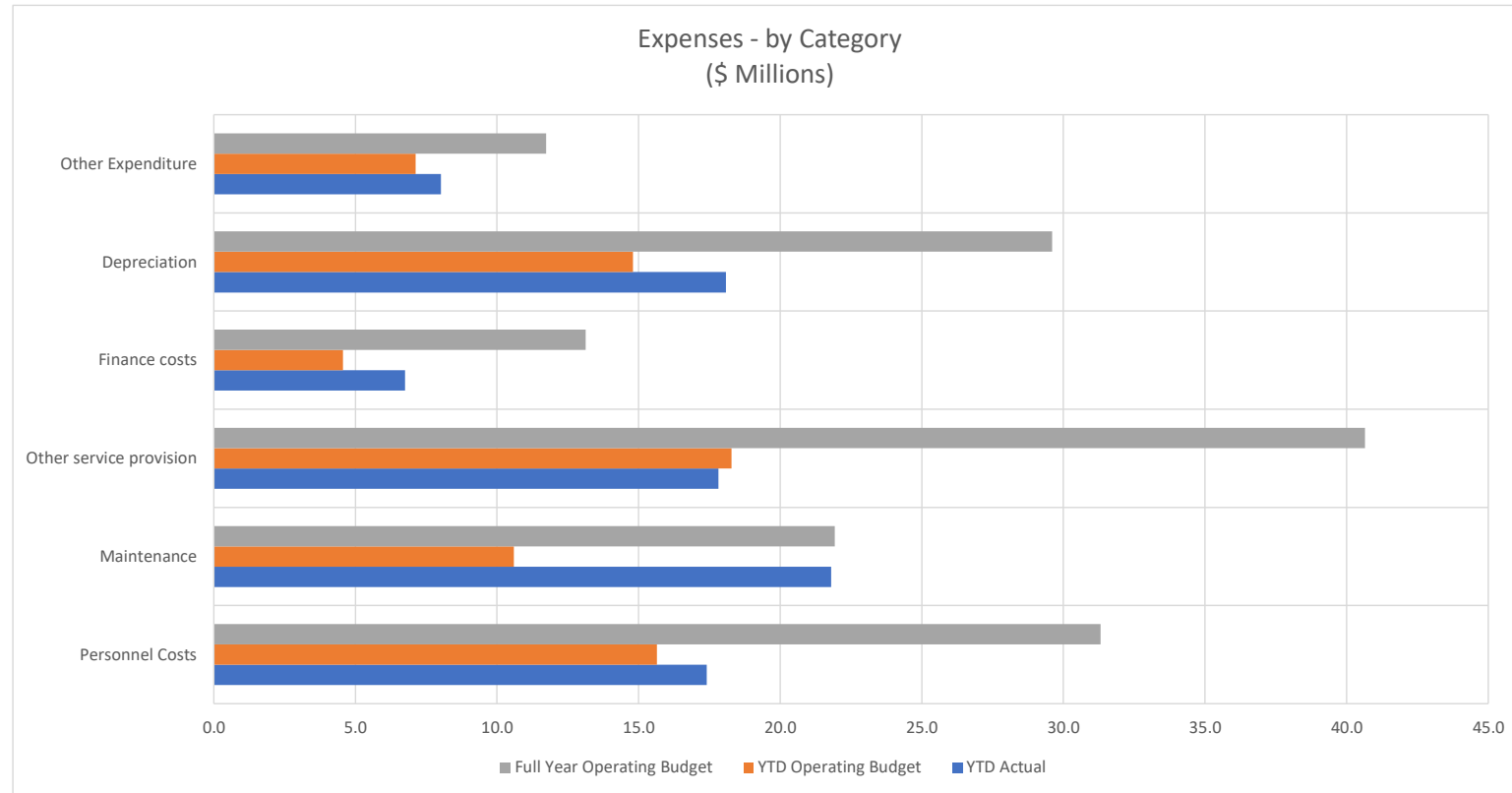
FINANCIAL MEASURES - KEY INDICATORS					
Category	YTD Actuals	YTD Operating Budget	YTD Variance	Full Year Operating Budget	Percent Variance
<b>Rates Revenue</b>					
Received from Ratepayers	39,196,159	39,113,212	82,947	78,226,419	0.21% 
<b>Operating Revenue</b>					
What we earn - fees, charges, subsidies etc	29,782,062	27,329,369	2,452,693	59,223,106	8.97% 
<b>Operating Expenditure</b>					
The costs to operate Council's activities	89,858,891	74,926,027	-14,932,864	151,358,984	-19.93% 
<b>Capital Revenue</b>					
Grants, subsidies, development contributions to fund capital projects	82,697,140	42,883,162	39,813,978	93,493,189	92.84% 
<b>Capital Expenditure</b>					
Costs for capital projects (excl. vested assets and NRSBU/NTRLBU)	31,107,098	41,974,630	-10,867,532	93,976,307	-25.89% 
<ul style="list-style-type: none"> <li>All measures are year to date (YTD), and against the 2022/23 Operating Budget unless otherwise stated.</li> <li>Operating budget = AP + any carry forward +/- any resolutions of Council for the year to date.</li> </ul>					<b>Key</b> <div>&lt; 2% </div> <div>&gt; 2% &amp; &lt; 5% </div> <div>&gt; 5% </div>

## Item 6: Quarterly Finance Report to 31 December 2022: Attachment 1



1857728953-647

## Item 6: Quarterly Finance Report to 31 December 2022: Attachment 1

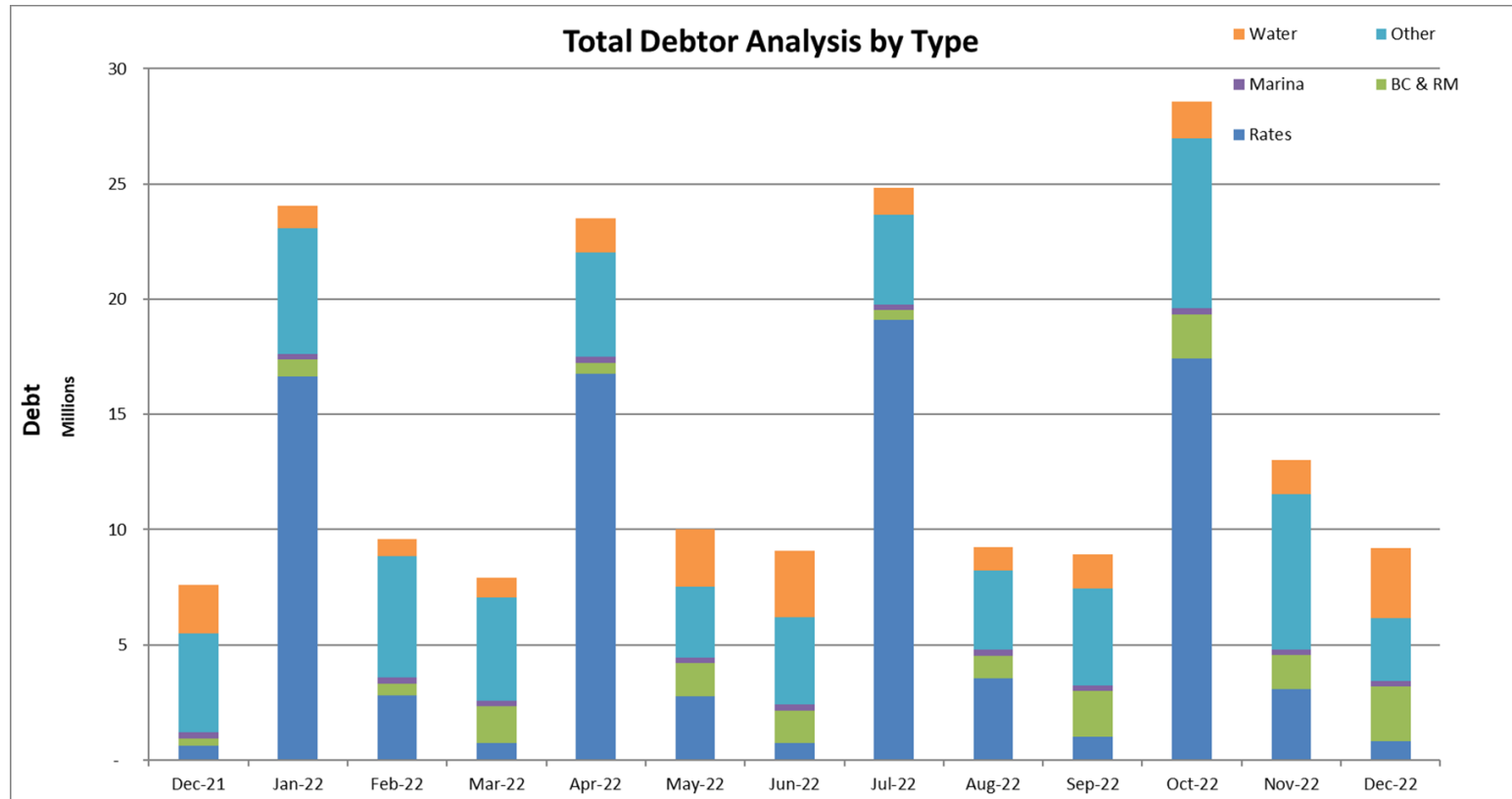


1857728953-647

# Item 6: Quarterly Finance Report to 31 December 2022: Attachment 1

BALANCE SHEET			
	December 2022	September 2022	Notes
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	8,608,168	7,763,107	Includes \$5m in Community Housing fund, and remaining in everyday account.
Receivables	13,545,472	10,233,757	Balance mostly relates to Trade Debtors and Accrued Revenue
Other Current Assets	1,731,943	992,451	Balance includes prepayments and current portion of loans to community organisations and related parties
Investments: Current	15,000,000	15,000,000	The \$15m is prefunded debt in a short term investment - more than 90 days
<b>Total Current Assets</b>	<b>38,885,583</b>	<b>33,989,316</b>	
<b>Non Current Assets</b>			
Fixed Assets	1,993,389,434	2,001,198,195	
Investments	58,942,769	58,192,769	Shares in subsidiaries and associates
Other Non Current Assets	19,835,632	17,888,382	Non-current portion of loans to community organisations and related parties plus \$3.7m of derivative assets
<b>Total Non Current Assets</b>	<b>2,072,167,834</b>	<b>2,077,279,345</b>	
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	(14,682,173)	(19,660,770)	Includes trade creditors and taxes payable (GST for \$2.3m)
Borrowings: Current	(16,374,009)	(16,369,385)	Term loans due within 12 months
Other Current Liabilities	(2,904,984)	(3,350,743)	Current portion of employee benefits liabilities
<b>Total Current Liabilities</b>	<b>(33,961,166)</b>	<b>(39,380,899)</b>	
<b>Non Current Liabilities</b>			
Payables: Non Current	(1,055,173)	(1,139,727)	This is the depreciation grant for the Suter
Borrowings: Non Current	(155,000,000)	(135,000,000)	Term Loans due after 12 months
Other Non Current Liabilities	(204,113)	(204,113)	Non-current portion of employee benefits and derivative revaluation
<b>Total Non Current Liabilities</b>	<b>(156,259,287)</b>	<b>(136,343,840)</b>	
<b>Net Assets</b>	<b>1,920,832,964</b>	<b>1,935,543,922</b>	
<b>EQUITY</b>			
<b>Equity</b>			
Accumulated Funds	(438,538,629)	(454,218,060)	
Reserves	(1,482,294,335)	(1,481,325,862)	
<b>Total Equity</b>	<b>(1,920,832,964)</b>	<b>(1,935,543,921)</b>	

# Item 6: Quarterly Finance Report to 31 December 2022: Attachment 1



1857728953-647

Treasury summary - positions and compliance

Nelson City Council

Month  
December 2022

Currency  
NZD

1. LTP debt forecast

2. LTP debt forecast 80%

3. LTP forecast ex. water

Interest rate risk

Compliant until June 2023

Funding risk

Compliant until June 2025

Liquidity risk

Compliant until December 2023

Investments

Counterparty credit limits

Counterparty	Compliant?
ANZ	✓
BNZ	✓
Westpac	✓

Liquidity ratio

114%

\$155,650,000

Gross debt less prefunding

\$155,650,000

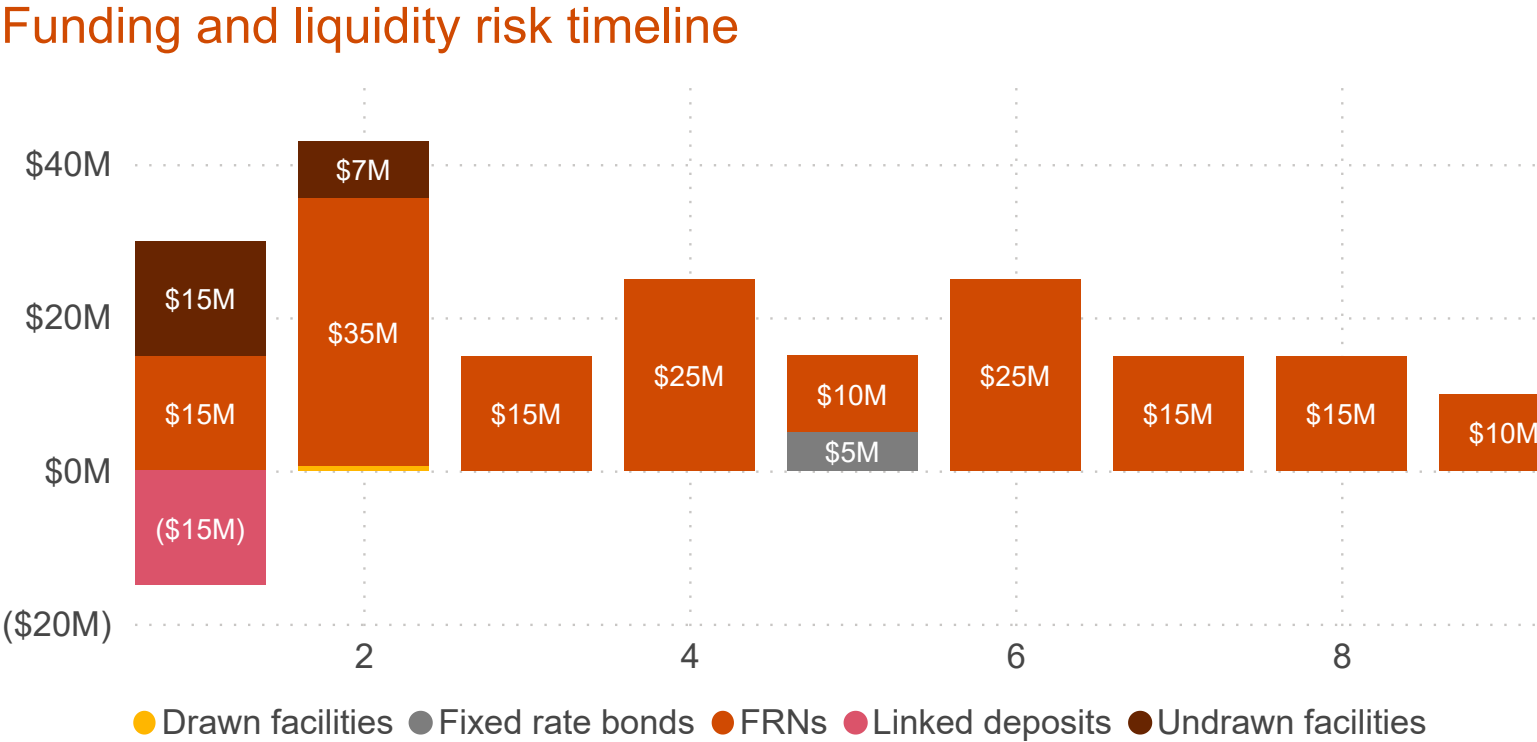
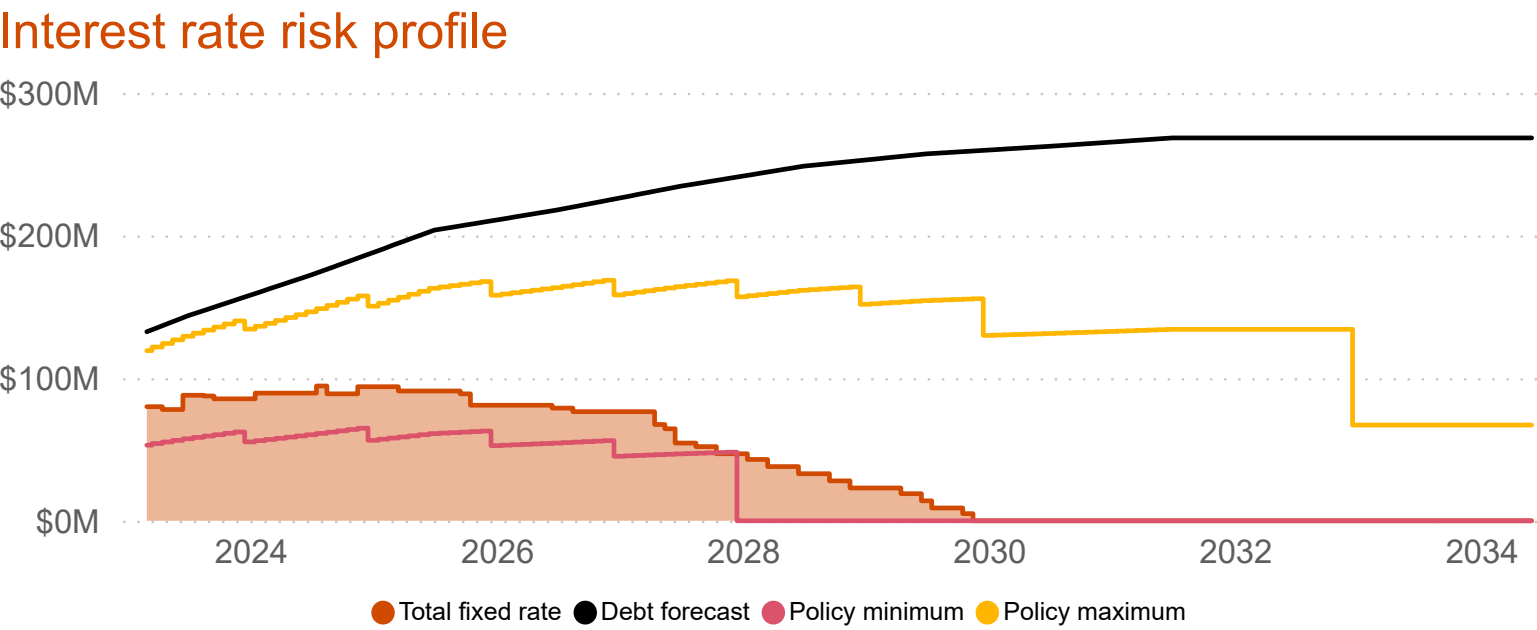
Net debt

\$22,350,000

Undrawn and unlinked bank facilities

\$15,000,000

Liquid deposits





Treasury summary - positions

Month  
December 2022

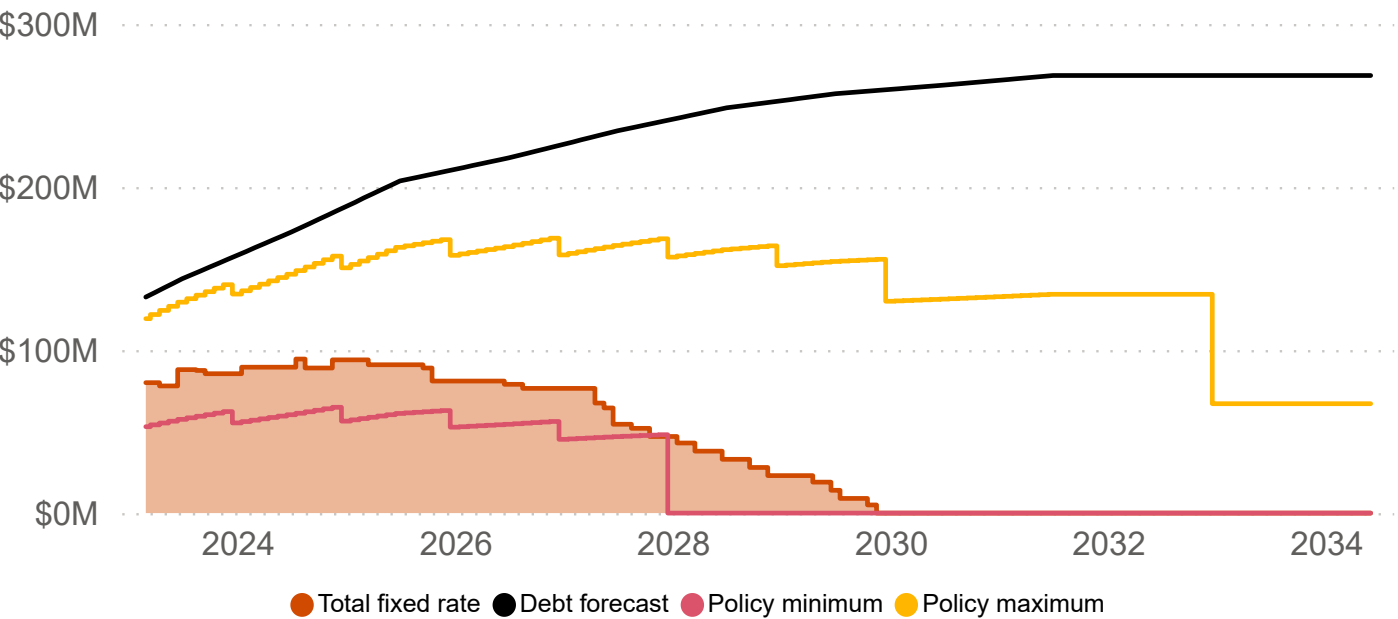
Currency  
NZD

1. LTP debt forecast

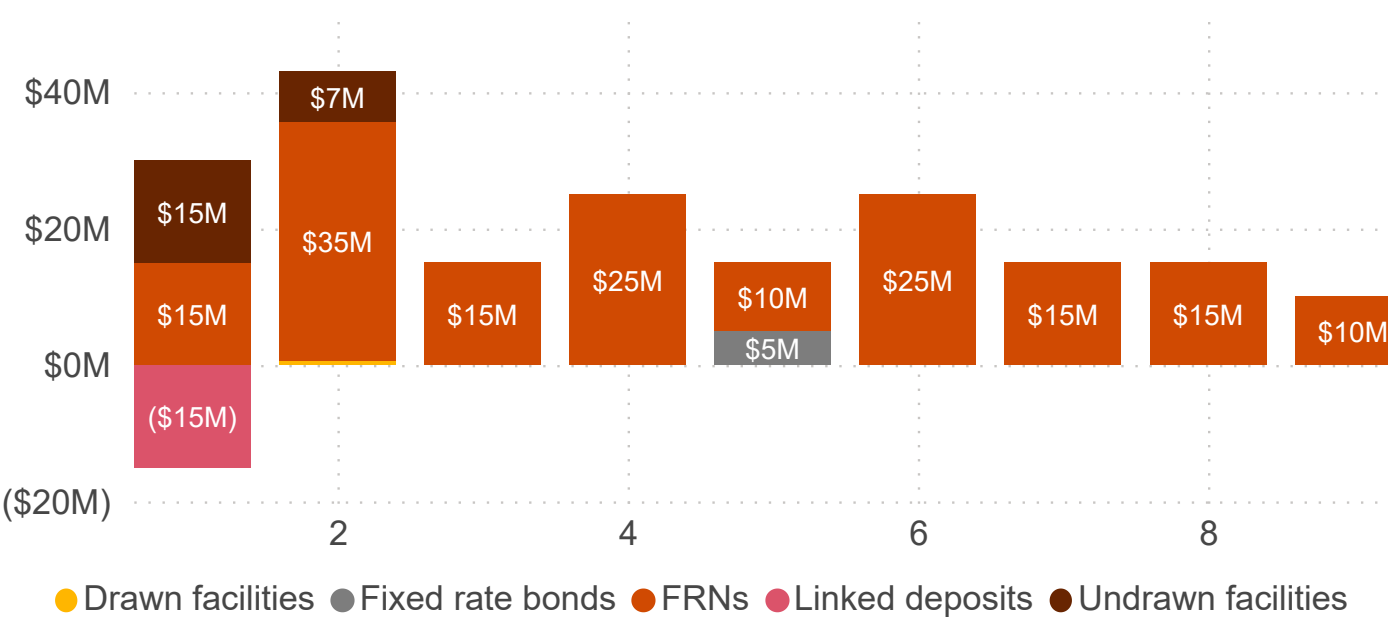
2. LTP debt forecast 80%

3. LTP forecast ex. water

Interest rate risk profile



Funding and liquidity risk timeline



Interest rate summary

#	Bucket	Min	Max	Actual
1	0 - 12	40%	90%	59%
2	12 - 24	35%	85%	52%
3	24 - 36	30%	80%	45%
4	36 - 48	25%	75%	36%
5	48 - 60	20%	70%	27%
6	60 - 72	0%	65%	14%
7	72 - 84	0%	60%	6%
8	84 - 96	0%	50%	0%
9	96 - 108	0%	50%	0%
10	108 - 120	0%	50%	0%

Counterparty credit limits

Counterparty	Total exposure	Total limit	Compliant?
ANZ	\$23,205,914	\$30,000,000	✓
BNZ	\$1,275,729	\$30,000,000	✓
Westpac	\$5,037,207	\$30,000,000	✓

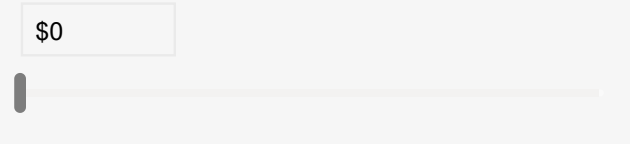
Funding summary

Bucket (years)	Policy	Actual
0 - 3	15% - 60%	41%
3 - 7	25% - 85%	45%
7 - 15	0% - 60%	14%
Total		100%



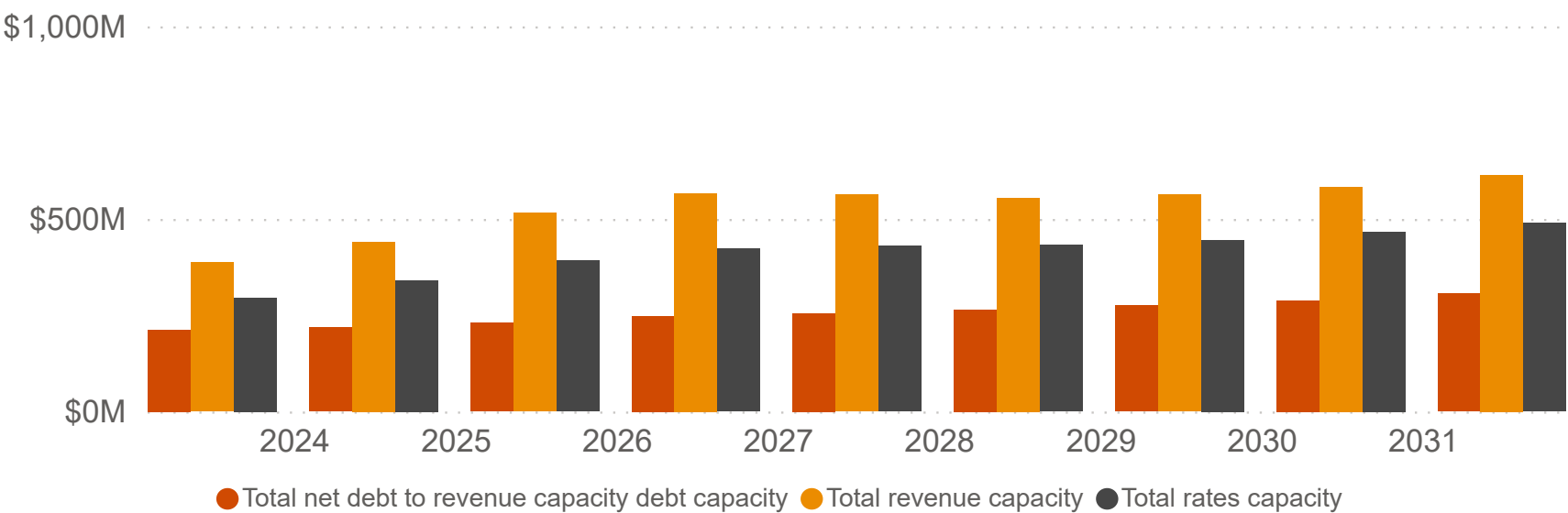
LGFA covenant overview

Total investments



- ☐ 1. LTP debt forecast
- ☒ 2. LTP debt forecast 80%
- ☐ 3. LTP forecast ex. water
- ☐ 2021 80% revenue
- ☒ 2021 LTP
- ☐ 2021 LTP less 3 waters
- ☐ 3. 2021 LTP less 3 waters

Total debt capacity (against policy limits)



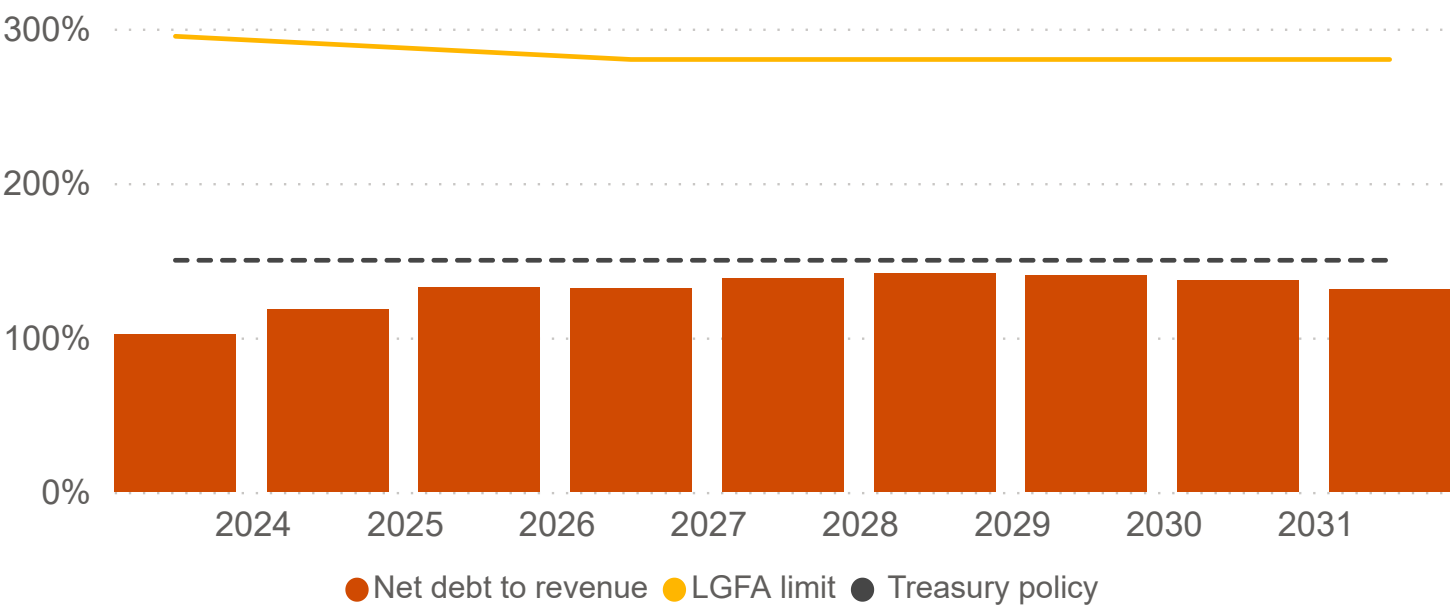
**\$141,296,896**  
Current revenue

**\$155,650,000**  
Current gross debt less prefunding

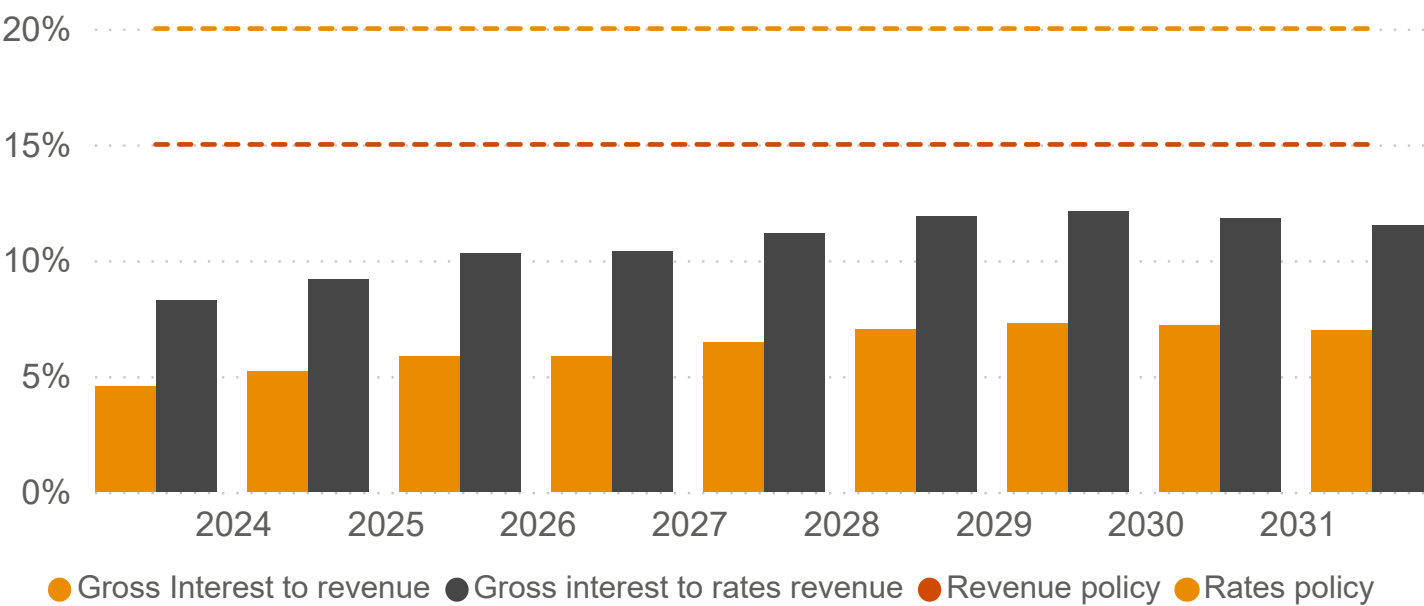
**\$155,650,000**  
Current net debt

**110%**  
Net debt to revenue

Net debt to total revenue, by year



Gross interest cost covenants, by year



Definitions & assumptions:

- Debt forecasts are calculated from gross debt less prefunding at each year end. The "Total investments" slider converts 'gross debt' into 'net debt' by subtracting off the slider amount from each year.
- The LGFA's interest covenants are measured on a 'net' basis but the interest covenant graph uses a conservative gross interest cost approach. Gross interest costs are calculated on the "Sensitivity analysis: Cost of funds" page and use the refinancing sliders including the BKBM sensitivity slider.

# Item 6: Quarterly Finance Report to 31 December 2022: Attachment 2

PROJECT HEALTH SUMMARY					
Quarter Two 2022/23 (1 October - 31 December 2022)					
	Project Title	Project ID	Quality	Time	Budget
Social, Parks and Active Recreation	Te Pa Harakeke Reserve	1379			
	Maitai MTB Hub	3152			
	Stoke Hall Remediation	3207	Project on hold		
	Trafalgar Centre Foot Bridge	2980			
	Brook Camp Building Renewals	3318			
	Trafalgar Park Stand Removal	2325			
	Bayview Road Playground	3278			
	Montgomery Square Toilet Renewal	3479			
Infrastructure	Maitai Flood Mitigation	1178			
	Saxton Creek Upgrade (Main Rd Culvert to Sea)	2964			
	Washington Valley Infrastructure Upgrade	2054			
	St Vincent Street Culvert Renewal	1917			
	Mount St / Konini St Stormwater and Road Upgrade	2079			
	Wastney Terrace Piping Ditch (Stormwater)	2473			
	Tahunanui Hills Stormwater - Catchment 9	2777			
	Rutherford Street Stormwater Stage 1	2850			
	Tahunanui Hills Stormwater- Catchment 3	2855			
	York Terrace SW Upgrade	2961			
	Awatea Place Sewer Pump station	1716			
	Nelson North Waste Water Treatment Plant Consent Renewal	2877			
	Inflow and Infiltration Reduction Programme (Opex)	2311			
	Maitai Dam Upgrades	2810			
	Capital Atawhai No2 Reservoir	2314			
	Sealed Road Resurfacing Programme (Renewal)	1540			
	Quarantine Road Footbridge	3312			
	Bus Terminal (CBD Interchange)	2997			
	Arapiki Road Watermain Renewal	3432			
	Millers Acre Cladding	2736			
Corporate, Property	Refinery Earthquake Strengthening	2602			
	Civic House Refurbishment	1195	Project on hold		
	Civic House Roof Renewal	3316	Project on hold		
	Civic House Ceiling tiles	1217	Project on hold		
	Civic House Roof and Structure	3572	Project on hold		
	Elma Turner Library Ceiling Strengthening	3426			
	Founders Heritage Park Collection Store Upgrade	3397			

## Item 6: Quarterly Finance Report to 31 December 2022: Attachment 3

	Activity	What Council will provide	Performance Measures	Target Year 2 (2022/23)	Staff comment as at Q2 2022/23	Achievement as at 2022/23
1	Transport	A safe road network	Reduction in the number of death and serious injury crashes, per financial year on the local road network to achieve the Vision Zero target of 40% reduction in DSI by 2031	One fewer fatality and serious injury crashes on the local road network compared to previous year  Target to reduce risk from high to low in Waka Kotahi produced Communities at Risk Register by 2031	There was one Death or Serious Injury (DSI) crash on the local network between 1 October 2022 and 31 December 2022. There were three DSI crashes between 1 July and 30 September 2022. This brings the total to four DSI crashes to date for 2022/23 financial year. Of note is that three of the four crashes involved pedestrians and one crash involved a cyclist. There were two DSI crashes for the same period previously (July to December 2021/22 financial year). A capital works improvement programme is underway to address cycle safety. One of the pedestrian crashes is in a project area. Road safety promotion campaigns and education programmes are ongoing and the speed management plan is under development.	On track
2	Transport	Smooth sealed road network	Average quality of ride on a sealed local road network, measured by smooth travel exposure by One Network Road Classification	More than 80% of all journeys are on smooth roads as measured by Smooth Travel Exposure in RAMM	Smooth Travel Exposure is assessed annually at the end of the financial year.	Not measured yet
3	Transport	Maintenance of sealed local road network	Percentage of the sealed local road network resurfaced	Not less than 3% and not more than 8.5% of the network is resurfaced every year	The percentage of the sealed local road network resurfaced is calculated at the end of the financial year based on the completed work. A programme to resurface 2% of the network is planned. A reduced programme is necessary due to short lead in period for the new contractor and the challenging resourcing market. 2% of the network was resurfaced in 21-22. Plans are in place with the contractor to lift the reseal programme (within budget) because a sustained low resurfacing rate will result in deterioration of the pavement assets.	Not on track
4	Transport	Good quality smooth footpath surface	Percentage of footpaths that fall within the level of service standard for condition of footpath, as in Asset Management Plan (i.e. has a condition rating of no greater than 3)	80% of the footpath network by length has a condition rating of no greater than 4	A complete assessment of the network was undertaken in 2021/22. 85% of the network has a condition rating better than 4. This result includes shared paths and walkways. A footpath condition survey is not being undertaken in 22/23.	Not measured yet
5	Transport	<b>Accessibility</b> Providing transport choices via public transport and efficiency - maximise movement of people via public transport	Annual number of bus patrons	Target to be informed by the public transport review	Public transport patronage has improved in the last quarter with September and October being similar to pre-covid levels. November and December have increased further and have the highest patronage for those months since we started the services in 2012.  Despite the improvements, the trend since 2017/18 is still negative due to low patronage throughout 2020, 2021 and 2022.	Not on track

## Item 6: Quarterly Finance Report to 31 December 2022: Attachment 3

	Activity	What Council will provide	Performance Measures	Target Year 2 (2022/23)	Staff comment as at Q2 2022/23	Achievement as at 2022/23
6	Transport	<b>Efficiency</b> Maximise movement of people via walk and cycle modes	Percentage of walking and cycling to school and work  Count of pedestrians and cyclists between 7am-9am on a fine weather Tuesday in February and July at The Railway Reserve in Stoke and Bishopdale, Atawhai Cycleway, Rocks Road and Whakatu Cycleway.	2022/23 – 25%	This measure cannot be reported accurately until the next census. A February assessment will be reported in Q4.	Not measured yet
7	Transport	Responsiveness to service requests	Percentage of customer service requests relating to roads and footpaths to which Council responds within five working days	80% of service requests responded to within five working days	71% of service requests were completed within 5 working days. Q4 2021/22 this was 68%, and for the Q2 period in 21-22 this was 72%. The current result was affected by the flood event, procurement for new major contracts and staff turnover. New appointments and contracts are in place/underway so this result is expected to improve.	Not on track
8	Water Supply	<b>Quality</b> ^Good quality water	The extent to which drinking water supply complies with: a)part 4 of the drinking water standards # (bacterial compliance criteria)*, and b)part 5 of the drinking water standards# (protozoal compliance criteria)* c)part 8 of the drinking water standards# (chemical compliance criteria) (1)	100% compliance with parts 4,5 and 8 of the drinking water standards	Compliance is assessed at the end of the year but YTD we tracking at 100%.	On track
9	Water Supply	<b>Quality</b> ^Good quality water	Total number of complaints per 1000 connections about any of the following*:  ·drinking water clarity ·drinking water taste ·drinking water odour ·drinking water pressure or flow ·continuity of supply ·Council's response to the above issues expressed per 1,000 connections (2)	No more than 50 valid complaints per 1000 connections	There have been a total of 13 valid complaints per 1,000 connections in 2022/23 YTD.  There were 21 in the 2021/22 period.	On track
10	Water Supply	<b>Reliability</b> ^A reliable supply of water	Average drinking water standard consumption per day per resident*(3) NO BRACKETS IN NEW ANNUAL REPORT	Normal demand less than 500L per person per day. This includes both domestic and commercial-industrial	From the results of the latest water meter reading round to confirm consumption in the 2022 calendar year. Calculation showed average drinking water consumption was 282 litres per person per day. 31 January 2023.	On track
11	Water Supply		% real water loss from the system*(4)	Real water loss less than 25%.	From the results of the latest water meter reading round to confirm consumption in the 2022 calendar year. Calculation showed real losses 22.4%. 31 January 2023.	On track

	Activity	What Council will provide	Performance Measures	Target Year 2 (2022/23)	Staff comment as at Q2 2022/23	Achievement as at 2022/23
12	Water Supply	<b>Customer Service</b> ^Prompt response	When attending a call-out in response to a fault or unplanned interruption to the system, the following median response times will be measured*:  a)attendance for urgent call-outs: from the time notification is received to the time service personnel reach the site*	a) Contractor to attend urgent call- outs in a median time of 30 minutes or less.	Median attendance time for urgent water call outs is 25 minutes YTD.  This was 24 minutes in 2021/22.	On track
13	Water Supply		b)resolution of urgent call-outs: from the time notification is received to the time service personnel confirm resolution of the fault or interruption*	b) Contractor to resolve urgent call- outs in a median time of 480 minutes or less.	Median resolution time for urgent water call outs is 185 minutes YTD.  This was 152 minutes in 2021/22.	On track
14	Water Supply		c)attendance for non- urgent call-outs: from the time notification is received to the time that service personnel reach the site*	c) Contractor to attend non-urgent callouts in a median time of 120 minutes or less.	Median attendance time for non-urgent water call outs 91 minutes YTD.  This was 99 minutes in 2021/22.	On track
15	Water Supply		d)resolution of non- urgent call-outs: from the time notification is received to the time service personnel confirm resolution of the fault or interruption*2	d) Contractor to resolve non-urgent call outs in a median time of 24 hours (1440mins) or less.	Median resolution time for non-urgent water call outs is 1042 minutes YTD.  This was 1283 minutes in 2021/22.	On track
16	Wastewater	<b>Reliability</b> A fully operational wastewater treatment system	Level of compliance of treatment plant with resource consent conditions	100% compliance	Full compliance YTD.	On track
17	Wastewater		Number of dry weather overflows from sewerage system, per 1000 connections	Fewer than 15 dry weather overflows per 1000 connections	There have been two dry weather overflows per 1,000 connections YTD.  There were three 2021/22.	On track
18	Wastewater	<b>Response</b> Appropriate response to reported network issues	Median response times are measured for overflows resulting from a blockage or other fault in the sewerage system: a) attendance time: from when notification is received to the time service staff reach the site	Contractor to attend in median time of 60 minutes or less.	Median attendance time for wastewater call outs is 20 minutes YTD.  This was 21 minutes in 2021/22.	On track
19	Wastewater		b) resolution time: from the time notification is received to the time service staff confirm resolution of the blockage or fault	Contractor to resolve issues in a median time of 480 minutes or less	Median resolution time for wastewater call outs is 183 minutes YTD.  This was 195 minutes in 2021/22.	On track

	Activity	What Council will provide	Performance Measures	Target Year 2 (2022/23)	Staff comment as at Q2 2022/23	Achievement as at 2022/23
20	Wastewater	<b>Quality</b> Environmental protection	Compliance with territorial authority's resource consents for discharge from the sewerage system measured by number of: a)abatement notices b)infringement notices c)enforcement orders d)convictions in relation to those resource consents	100% compliance	Full compliance YTD.	On track
21	Wastewater		The total number of complaints received about any of the following: a)sewage odour b)sewerage system faults c)sewerage system blockages, and d)Council's response to issues with the sewerage system, expressed per 1000 connections to the sewerage system	No more than 20 valid complaints a year per 1000 connections	Total number of valid complaints is 11 per 1,000 connections YTD.  This was 12 valid complaints per 1,000 connections in 2021/22.	On track
22	Stormwater	<b>Environmental protection</b>	Compliance with resource consents for discharge from the stormwater system, measured by number of: a)abatement notices b)infringement notices c)enforcement orders, and d)successful prosecutions received in relation to those resource consents	100% compliance with resource consents for discharge	Full compliance YTD.	On track
23	Stormwater	<b>Customer Response</b> Minimise justifiable complaints	Number of complaints received about the performance of the stormwater system, per 1,000 properties connected to the stormwater network	No more than 20 complaints per 1000 connections per year	Total number of complaints is 11 per 1,000 connections YTD.  This were 10 complaints per 1,000 connections in 2021/22.	On track
24	Stormwater	<b>Customer service</b> Protection from damage to property	a) The number of flooding events that occur b) For each flooding event the number of habitable floors affected per 1000 properties connected to the stormwater network	No more than 10 per 1000 properties with habitable floor damage in any one year	Major flood event on 17 - 20 August 2022 resulted in inundation of habitable floors at numerous properties and affecting most Nelson catchments.	Not measured yet
25	Stormwater	<b>Customer service</b> Response to stormwater system issues	Median response time to attend a flooding event, measured from the time that notification is received to the time service personnel reach the site	Median response time less than 60 minutes	Median response time to stormwater issues is 12 minutes YTD.  This was 16 minutes in 2020/21.	On track

	Activity	What Council will provide	Performance Measures	Target Year 2 (2022/23)	Staff comment as at Q2 2022/23	Achievement as at 2022/23
26	Flood Protection	Environmental protection, damage to people and property minimised, and a reliable flood protection network	The major flood protection and control works that are maintained, repaired and renewed to the key standards defined in the Stormwater and Flood Protection Activity Management Plan	Network maintained to current service potential	Major flood event on 17 - 20 August 2022 resulted in large amounts of gravels and flood debris deposited in urban streams and the Maitai River. A large operational response was mounted during the first day of the event to remove blockages and maintain capacity in the network. This was sustained throughout the flood event, and included responding to a high number of urgent Service Requests. Council targeted the worst affected section of the Maitai River for gravel removal between Collingwood Street and Trafalgar Street in the immediate aftermath of the flood event. Emergency works post flood were also undertaken in the Whangamoa River, Hillwood Stream catchment, Todd Valley Stream, Oldham Creek and Brook Stream. A LIDAR survey (by other parties) was undertaken immediately following the event but this data is not yet available for analysis of bed level changes.	On track
27	Flood Protection			Flood event damage identified, prioritised and repair programme agreed between Council and the community	Major flood event on the 17 - 20 August 2022 impacted multiple catchments. Flood level surveys were completed in 7 urban and 2 rural catchments. Flood event damage was then identified across urban catchments through stream walkovers and damage identified was uploaded to a webmap. The works identified include gravel and flood debris removal as well as river and stream channel bank reinstatement. A number of meetings were held with residents of affected areas that informed prioritisation of the works programme, alongside a large number of Service Requests that flagged issues to address. A longer term 6 year recovery programme has been formulated which covers other repairs that are a lower priority, and this will be consulted on through the Annual Plan for 2023/34, as well as the LTP 2024-34.	On track
28	Flood Protection			High priority work completed as soon as practicable	Major flood event on the 17 - 20 August 2022 impacted multiple catchments. High priority work was completed in the following catchments during Q2: Whangamoa River, Hillwood Stream catchment, Todd Valley Stream, Oldham Creek, Brook Stream and Maitai River. Additional work has also got underway in medium priority catchments including Jenkins Creek, Poormans Valley Stream, Orchard Stream and Orphanage Stream.	On track
29	Flood Protection			Network components renewed to continue provision of original design service potential	Work to complete the inventory of flood protection structures is ongoing, and expected to be complete in Q3.	On track



	Activity	What Council will provide	Performance Measures	Target Year 2 (2022/23)	Staff comment as at Q2 2022/23	Achievement as at 2022/23
30	Flood Protection		Develop risk based Maitai flood response options	Year 2: Develop concept designs for quick win projects	Optioneering for a number of quick win projects in the Maitai catchment is in progress including: Nile Street culvert backflow reduction, Cleveland Terrace Stormwater intake upgrade, and the Maitai Flood Forecasting system. Further refinement of options is also ongoing for the longer term Maitai Flood Management programme	On track
31	Flood Protection		Develop city wide flood protection strategies	Year 2: Engage with the community in priority catchments	The priority catchments for this work are Jenkins Creek, Poormans Valley Stream and Arapiki Stream. Due to flood recovery work across the Nelson District, it is unlikely that Council will meet the target for the current financial year to engage with the community in these catchments. However, meetings with some landowners has been held in the lower sections of these streams and works are in progress within these catchments as part of the recovery programme.	Not on track
32	Flood Protection	Customer service Protection from damage to property	a) The number of flooding events that occur b) For each flooding event, the number of habitable floors affected per 1000 properties	No more than 10 per 1000 urban properties with habitable floor damage in any one year	Major flood event on 17 - 20 August 2022 resulted in inundation of habitable floors at numerous properties and affecting most Nelson catchments	Not measured yet
33	Solid Waste	Measures to encourage the community to reduce waste to landfill	Reduction of waste per capita by 10% by 2030	Year 2: Total waste less than 545kg/ capita	The aim is to reach 565kg by 2030. In Q2 22/23 is 584.93 tonnes which is lower than 20/21 tonnage of 610.37 and lower than 21/22 figure of 593.87. Steady reduction in waste to landfill as per JWMMP calculation.	On track
34	Solid Waste	Measures to encourage the community to increase composting of food and garden waste	Quantifiable diversion of general organic material from landfill	Year 2: Reduction of 3% from previous year	2021 SWAP analysis reported putrescible content was 19.7% . The 2022 SWAP analysis reports a putrescible content of 15.7% . This is a 2728 tonne reduction in organic and garden material at landfill.	On track

	Activity	What Council will provide	Performance Measures	Target Year 2 (2022/23)	Staff comment as at Q2 2022/23	Achievement as at 2022/23
35	Solid Waste	Support for the collection and recycling of e-waste	Increase in diverted tonnes through e-waste, reuse shops, etc.	Year 2: Increase of 2% above 2021 baseline	The primary recycler (Nelson Environment Centre) has seen a significant increase in recycling and recovery rates after receiving government Waste Minimisation Funding. Data is now being provided on a quarterly basis to measure progress. Data from reuse shops remains difficult to acquire, and this performance indicator should be reviewed for the next LTP	On track
36	Environment	Compliance with National Environmental Standards for Air Quality for PM10	Number of exceedances in any of the airsheds do not exceed one in a calendar year	No more than one exceedance in any calendar year in any airshed. Reported to Council each year	There were no exceedances in the period 1 July - 31 December 2022.	On track
37	Environment	Information on safe recreational bathing sites, marine and freshwater	% of key bathing sites monitored and public advised if water quality standards are breached	100% of key bathing sites are monitored	The summer recreational bathing programme runs from <b>28 November 2022</b> through until 1 April 2023. Reporting against the KPI will occur in the April-June 2023 quarter.	On track
38	Environment	Compliance with the Biosecurity Act 1993 (amended 2015)	Compliance with the Tasman Nelson Regional Pest Management Plan reporting requirements for operational plans	100% delivery of operational plan reported to Council each year	A report on the delivery of the 2021/22 Operational Plan was presented to the Council at its 15 December 2022 meeting.	On track
39	Environment	Provision of easily accessible, accurate, up to date and fit for purpose state of the environment monitoring data for all environmental domains	Five yearly comprehensive State of the Environment report is published to achieve compliance with section 35 of the Resource Management Act 1991	Five yearly report due by December 2023	The target is for the report to be due in December 2023. <b>The date in the existing LTP is incorrect target deadline will be ammended through the LTP to December 2024</b> - this aligns with the 5 yearly reporting window for SOE reporting ( last report 2018 SOE was produced in 2019)	Not measured yet
40	Environment	Ensure Resource consent decision-making is robust and legally defensible	No decisions are over turned by the High Court upon judicial reviews	No decisions are overturned by the High Court upon judicial reviews	No judicial reviews to date.	On track
41	Environment	Food safety and public health comply with legislative requirements	Respond to food safety complaints within one working day	100%	All four of the food safety complants have been responded to within one working day.	On track

## Item 6: Quarterly Finance Report to 31 December 2022: Attachment 3

	Activity	What Council will provide	Performance Measures	Target Year 2 (2022/23)	Staff comment as at Q2 2022/23	Achievement as at 2022/23
42	Environment	Resource consent processes that comply with statutory timeframes	All resource consents are processed within statutory timeframes. All resource consents requiring monitoring are monitored at least annually	100%	Averaging 60% of consents processed on time. Four new staff have commenced in the team but will take time to train. Four of the 24 consents currently unallocated were lodged before December 2022.	Not on track
43	Environment	Provision of dog and animal control services	Respond to reports of dog attacks that have just occurred within 60 minutes	90%	All five of the urgent dog attacks have been responded to within one hour.	On track
44	Environment	Navigation safety is delivered to meet all legislative requirements	Safety checks are conducted for recreational vessels (boats, kayaks, stand-up paddle boards etc)	At least 1,000 annually	Approximately 700 checks have so far been conducted with the Summer months still to be included in this calculation.	On track
45	Environment		Inspect navigation safety aids and maintain, replace or provide additional aids as required	At least annual inspection	Inspections to be conducted after the busy summer period	Not measured yet
46	Environment	Sale of alcohol complies with legislative requirements	Inspect high risk premises at least two times each year	100%	16 out of 17 high risk food remises have received at least one inspection.	On track
47	Environment	Provide building control services in a professional and timely manner, to ensure building work is safe and in accordance with the Building Code	% building consents and code compliance certificated issues within 20 working days	100%	88% of building consents were granted and 99% of code compliance certificates were issued within 20 statutory days within the first half of 2022/23. It is expected that the granting of building consents will improve in the 3rd/4th quarter of the financial year as the new geotechnical resource becomes available and the affects of the August 22 weather event subside. Substantive compliance (for IANZ accreditation) has been achieved for issuing of CCC's but not for issuing of building consents.	Not on track
48	Environment	Maintain current and enforceable environmental bylaws for dogs, urban environments, city amenity and navigation safety	Bylaw reviews are completed within timeframes set out in the Local Government Act	Year 2: 100%. City Amenity Bylaw (expires 11/09/2024)	City Amenity Bylaw review process due to be initiated.	On track
49	Environment	Create and implement a city centre programme	Monitor performance every three years with a public life survey	Years 1-2: Monitoring due in years 2023/24 and 2028/29	Monitoring is not yet due. Planned for 2023/24.	Not measured yet
50	Environment	Urban Development Capacity is sufficient to meet future demand	Report annually on Urban Development capacity and how the requirements of the NPS Urban Development are met	100%. Reported to Council each year	Work on the NPS UD Nelson Tasman Joint Urban Development Capacity Monitoring report 2022 started after completion of the 2022 Future Development Strategy was finalised. Monitoring report will be released in Q3.	Not measured yet

## Item 6: Quarterly Finance Report to 31 December 2022: Attachment 3

	Activity	What Council will provide	Performance Measures	Target Year 2 (2022/23)	Staff comment as at Q2 2022/23	Achievement as at 2022/23
51	Environment	The Compliance Strategy is reviewed for effectiveness	The effectiveness of the Compliance Strategy is reported to Council annually	Reported to Council each year	To be reviewed in Q4.	Not measured yet
52	Social	Community partnerships address community needs and issues	Community Investment Fund agreements and grants are allocated as per advertised timeframes	One new project funded per year that achieves the outcomes of the funding agreement	Community Investment Fund small grants fund was successfully allocated in November 2022.	On track
53	Social	Council provides support for the arts sector to provide arts advice, advocacy and promotion, to strengthen the sector	Creative Community Scheme funding is allocated successfully to community art projects	Creative Communities scheme funding fully allocated each year	On Track. Sepember 22 round completed with some underspend being added to the April round for allocation then with extra communications being done by Arts Council Nelson to attract applications.	On track
54	Social	Council's heritage facilities provide heritage activities to experience, celebrate and learn about Nelson's history and stories	Number of visitors/users of the facility	Visitor numbers >100,000	Although fluctuations in COVID-19 numbers, in addition to weather events during August/September 2022, had an impact, all heritage facilities have seen a healthy increase on visitor numbers to date. Contributing factors are international borders reopening, higher domestic travellers, marketing push, and summer season. Total visitors across all hertiage sites to date is 43,379, which is a 57% increase when compared to visitor numbers of 24,879 this time of the last fiscal year.	On track
55	Social	High quality, popular and accessible arts events	To deliver a diverse and accessible variety of events that are well attended and enjoyed by audiences	At least 12 events per annum are delivered celebrating our community's performing skills and creativity and support at least 10 free or low cost events.	So far, 7 Council events have been successfully delivered, including a youth event (Rock The City) that was initially scheduled earlier this year but had to be postponed for COVID reasons.	On track
56	Social			Event audience surveys indicate satisfaction of 70%.	Council events are surveyed either by Council staff or contracted event organisers. Survey results are above the 85% 'high' or 'very high' benchmark.	On track
57	Parks and Active Recreation	Parks and recreation service that meets or exceeds residents' expectations	Residents (%) that are satisfied with Council provided parks and recreation	80%	85% of users were satisfied with Council provided parks and recreation in the Nelson Resident's Survey 2021/2022.	On track

	Activity	What Council will provide	Performance Measures	Target Year 2 (2022/23)	Staff comment as at Q2 2022/23	Achievement as at 2022/23
58	Parks and Active Recreation	Sufficient open space provided	Area in hectares of Neighbourhood Parks per 1,000 residents ( <i>Calculation excludes the five largest neighbourhood parks</i> )	1.0 – 1.2 ha	Staff continue to look for opportunities to improve the provision of neighbourhood parks throughout Nelson. This has included the purchase of 52 Grove Street, which will improve Grove Street Reserve. Council also purchased land for a park in the Bayview subdivision and development of the park will be completed in 2023. Staff will seek to fill provision gaps through the subdivision consent process, as land becomes available.	Not on track
59	Parks and Active Recreation	Conveniently located open space i.e. neighbourhood park, public garden or sportsground	Urban residential properties (%) within 800m walking distance of publicly accessible open space	99%	After an update of building polygons to include new dwelling in Stoke and Bishopdale, approximately 98.75% are within 800m of open space. This measure generally fluctuates over time and the current result of 0.25% below target does not necessarily indicate the measure will not be achieved by the end of the year.	On track
60	Parks and Active Recreation	Play facilities that are conveniently located	Urban residential properties (%) within 1000m walking distance of a playground	95%	After an update of building polygons to include new dwelling in Stoke and Bishopdale, approximately 95.85% are within 1km of a playground.	On track
61	Marina	Marina managed to meet demand	Occupation for marina berths (both permanent and visitors)	Greater than 95%	Total Marina Berth Occupancy for Q2 2022/23 was 97.1%.	On track
62	Economic	Events funding that provides a sound return on investment for Nelson	Economic event attendees through events programme activities and percentage of out of town attendees	The closing of New Zealand's international borders and the risk COVID-19 alert levels being increased requires that 2021/22 be treated as the base year for this measure.	YTD the Events Development Committee and Nelson City Council have approved 14 Economic Events, which are estimated to attract a total of 26,210 attendees, of which 43% are expected to be from out of town.	On track
63	Economic		Return of NCC economic events fund	>20:1	The YTD approved Economic Events are at an average ROI of 40:1. During the first six months of 2022/23 the Events Development Committee supported a wide range of events including mass participation and spectator sporting events, social and arts events, plus theatre productions and music festivals catering to a wide variety of audiences. Two applications were approved at council: The Adam Chamber Music Festival 2024 and the T20 Super Smash Double Header Cricket event. With the easing of COVID-19 restrictions, event organisers can now confidently plan events to attract larger local, national and international audiences	On track

	Activity	What Council will provide	Performance Measures	Target Year 2 (2022/23)	Staff comment as at Q2 2022/23	Achievement as at 2022/23
64	Corporate	Effective engagement and consultation	% of participants in Council engagements and consultations processes are satisfied with the information provided and opportunity to provide feedback as measured by survey of stakeholders/recent participants.	Year 2: 2% increase in satisfaction level from year 1 baseline	Initial baseline established from 2021/22 Q4 and 2022/23 Q1 submitters.	Not measured yet
65	Corporate	Council Controlled Organisations (CCOs) that deliver net benefit to the community	Council satisfied with CCO operations and reporting	Council receives six monthly reports from all CCOs and is satisfied with attainment of targets.	Six monthly reports have been received by all CCOs except the December Bishop Suter Trust report which has been postponed to April 2023 due to the full agenda at the 15 December Council meeting.	On track
66	Corporate	Promotion of Te Tau Ihu Māori/iwi participation in decision-making processes.	Collaboration between iwi and council is promoted and resourced.	Expert staff to provide advice and engage with iwi.	Iwi-Council Partnership Group involving the Mayor, elected members and the eight iwi Chairs met quarterly. Taonga Tuku Iho strategy was supported and adopted by Council. Tri-Council (NCC, TDC, MDC) Mayors and eight iwi Chairs met in September 2022 to discuss a Te Taihū Partnership Agreement.	On track
67	Corporate	Effective Civil Defence Emergency Management (CDEM) response via regional Emergency Operations Centre (EOC)	Ability to operate an effective Emergency Operations Centre and meet Ministry CDEM requirements	EOC meets the National Emergency Management Agency (NEMA) monitoring and evaluation requirements.	The EOC met NEMA requirements at its last review.	On track

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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 [↓](#)



## Item 7: Quarterly Internal Audit Report - 31 December 2022: Attachment 1

2022-23 Annual Audit Plan Progress Report to 31 December 2022 ([NDOCS-1194974384-3349](#))

#	Audit Topic	Audit Objective	Progress / Findings																																				
1	Controls audit of workplace stress	Review adequacy of employee/councillor workplace stress controls (identification, treatment and reporting processes).	<p>The audit found that workplace stress controls (identification, treatment and reporting processes) are adequate. Whilst preventative controls were out-of-scope of the audit, it is noted that People and Capability have exceeded their FY22 their ‘staff support’ budget in response to WFH and central-government-led-changes.</p> <p>The internal audit resulted in one Low recommendation: documented process/guidance for direct managers managing a stressed employee.</p> <p>Recognising that any recommendation to Council is not enforceable in the normal internal audit sense (implementation deadlines etc), I have made the following suggestion: The mayor create a voluntary ‘Councillor Health &amp; Safety Support Person’ role, to be filled by an elected member who is provided suitable training, so that councillors have a means to receive relevant H&amp;S advice. i.e. in line with the innovative <a href="#">Leeds City Council</a> case study.</p> <table><tr><th>Elements Audited</th><th colspan="5">Recommendations Made</th></tr><tr><th></th><th>VERY HIGH</th><th>HIGH</th><th>MEDIUM</th><th>LOW</th><th>Very Low</th></tr><tr><td>1. Identification of workplace stress</td><td></td><td></td><td></td><td>1</td><td></td></tr><tr><td>2. Management/treatment of workplace</td><td></td><td></td><td></td><td>1</td><td></td></tr><tr><td>3. Reporting on workplace stress</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Total</td><td></td><td></td><td></td><td>2</td><td></td></tr></table>	Elements Audited	Recommendations Made						VERY HIGH	HIGH	MEDIUM	LOW	Very Low	1. Identification of workplace stress				1		2. Management/treatment of workplace				1		3. Reporting on workplace stress						Total				2	
Elements Audited	Recommendations Made																																						
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3. Reporting on workplace stress																																							
Total				2																																			
2	Annual Fraud & Conflict of Interest Control Effectiveness Assessment	Assess compliance with anti-fraud related controls.	<p>The internal audit did not uncover any fraud. A finance anti-fraud control was identified as not being completed since last year - ownership of this control has now been transferred to internal audit. No other material examples of non-compliance were identified.</p> <p>The internal audit resulted in three recommendations:</p> <ul style="list-style-type: none"><li>Low recommendation related to pre-employment credit checking</li><li>Two Very Low recommendations relating to specific procurement cases</li></ul>																																				

# Item 7: Quarterly Internal Audit Report - 31 December 2022: Attachment 1

#	Audit Topic	Audit Objective	Progress / Findings																																																
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Elements Audited	Recommendations Made																																																		
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3. Procurement					2																																														
4. Cash Handling				1																																															
5. Conflicts of Interest																																																			
Total				1	2																																														
3	‘Unplanned’ audit, Harbourmaster Operations	Assess progress against The Code Review recommendations. Assess operational effectiveness, reliability of internal reporting and compliance with NCC processes under the new management structure.	<p>A 30 June 2021 Safety Management Systems (SMS) Review identified two areas of improvement for the Harbourmaster function:</p> <ul style="list-style-type: none"><li>• Separating the port operations and harbourmaster role</li><li>• Updating the harbour risks assessment to achieve code consistency</li></ul> <p>Progress is as follows:</p> <ul style="list-style-type: none"><li>• As of 1 July 2022, the harbourmaster and deputy harbourmaster are now directly employed by NCC.</li><li>• The harbour risks assessment has been updated with a new the Memoranda of understanding (MoU) with Port Nelson Limited finalised</li></ul> <p>More generally SMS documentation remains incomplete, and as such it is unlikely that NCC will pass the Code panel follow-up review. It is noted that:</p> <ul style="list-style-type: none"><li>• the Code panel follow-up review which was tentatively scheduled for November 2022 has been deferred to 24-25 May 2023</li><li>• The Manager Consents and Compliance is of the understanding that MNZ are happy with the progress being made since operationally things are good, but the documentation needs to be completed/updated.</li><li>• A light touch review of operational effectiveness, reliability and appropriateness of internal reporting and compliance with NCC processes did not identify any issues.</li></ul>																																																

# Item 7: Quarterly Internal Audit Report - 31 December 2022: Attachment 1

#	Audit Topic	Audit Objective	Progress / Findings																																										
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Total			1	5	4																																								
4	Resource Consents Case Reviews	Performance and technical audit	Detailed scoping in order to procure highly experienced resource management practitioner to complete audit is yet to be completed.																																										
5	Records management compliance following Objective to SharePoint Migration Project	Performance and compliance review of records management including identifying any remaining risks and gaps with respect to NCC’s information management key principles.	Audit will likely commence in the fourth quarter after the second phase of migration project (MagiQ document migration) has been completed.																																										

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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 Roading 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

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

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. [↓](#)

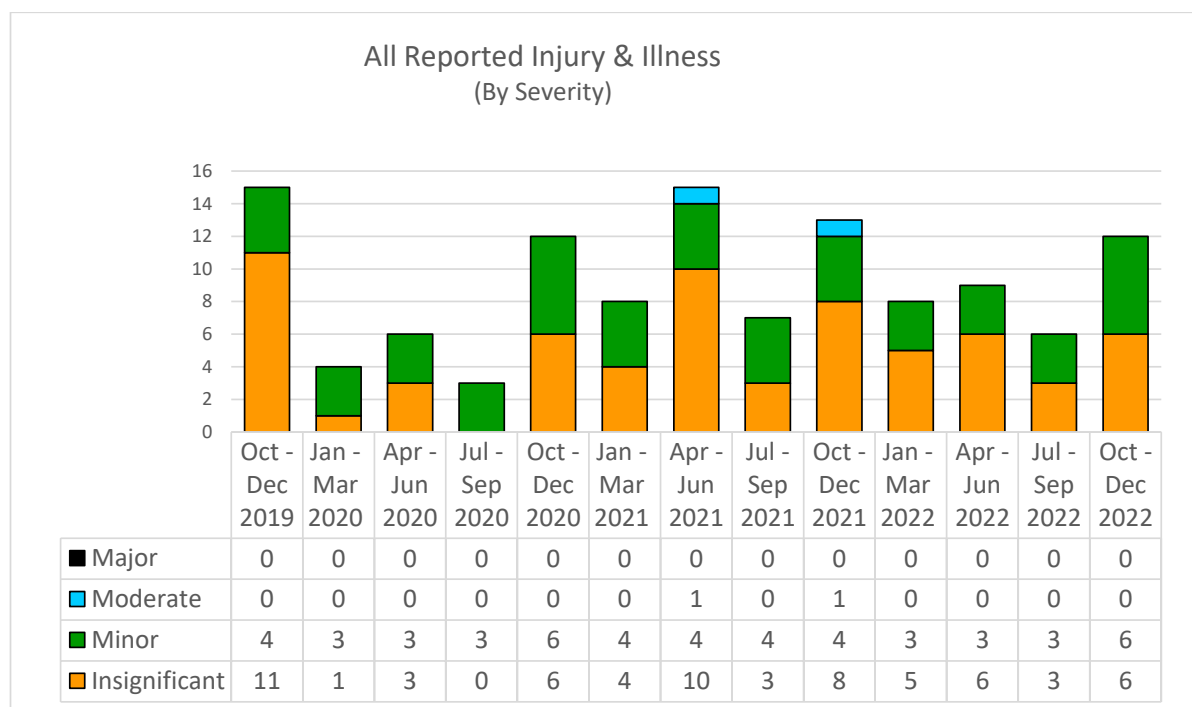


## Health, Safety and Wellbeing Report

### July – December 2022

#### Section 1 - Health, Safety and Wellbeing Performance Data

##### 1.1 Injury/Illness

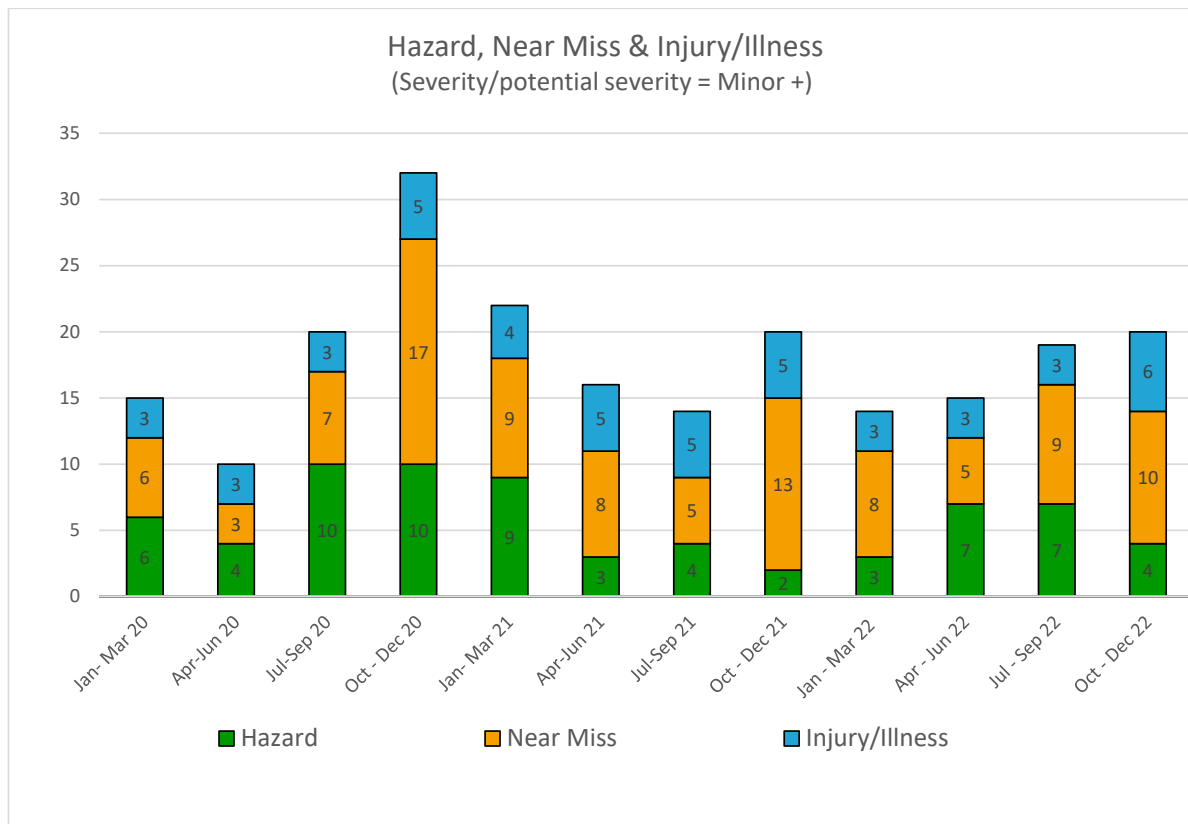


Minor severity incidents reported for this period were:

- A contractor was brushed by a bus at construction site which was also a significant near miss. Investigation and corrective actions have been completed.
- A staff member got a hernia injury from moving a bookshelf to access a network port.
- A staff member reported health issues after working in the Founders collection store. Air monitoring has been carried out and no significant risk identified.
- A contractor (parking officer) tripped on a berm.
- Three library staff reported back injuries, this has been attributed to the increased book handling required to provide services from reduced space. Additional training has been provided to library staff by an occupational therapist and the amount of manual handling will be carefully monitored and managed as more library space re-opens.
- Two library customers experienced minor medical events and were provided first aid by library staff.

NDOCS-855153265-3535

## 1.2 Hazard, Near Miss & Injury/Illness

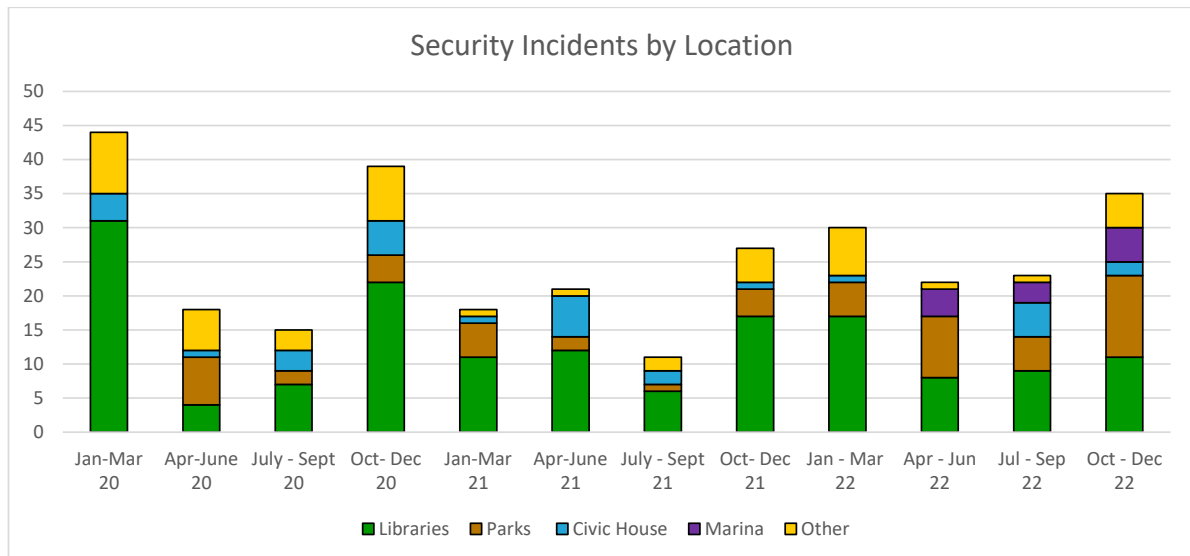


Near miss incidents of note for this period are:

- An access hatch blew off Founders windmill in high winds.
- A live wire was cut by metal channel when installing ceiling strengthening.
- A number of trees fell in Brook Valley Holiday Park during high winds.
- A medical event at the Transfer station resulted in a vehicle driving into bollards.
- A Civic House window fell off its hinges, checks of building windows on all floors have been completed.
- A section of sheet piling fell from a crane on the Saxton Creek Upgrade project.
- The bucket fell into the trench from a large digger on the Rutherford Street stormwater upgrade project.

NDOCS-855153265-3535

### 1.3 Security

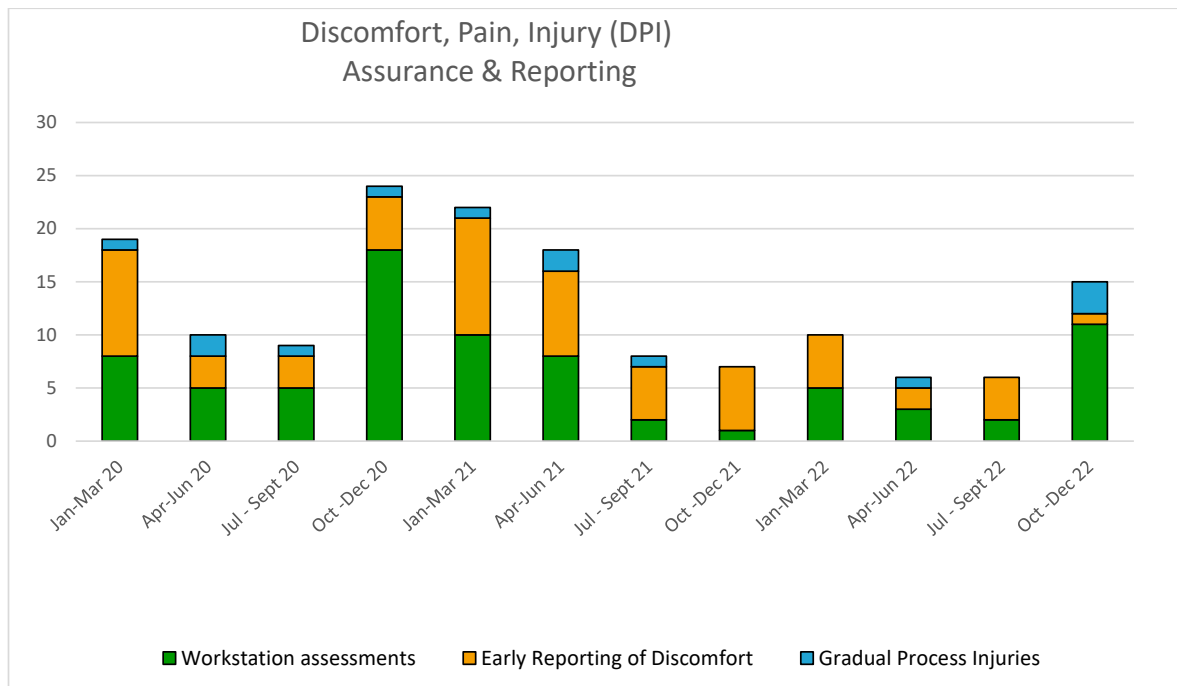


A number of security incidents at the Nelson Marina have been reported for this period, the majority of these do not relate to staff and are generally criminal behaviour towards or by Marina users. Marina management has been liaising with police on controls to prevent these incidents.

A series of security incidents at the Maitai Camp since October have caused considerable stress for staff and has resulted in a review of security and staff safety at Council campgrounds. This has included working with a security consultant and local police. Recommendations will be provided to SLT.

NDOCS-855153265-3535

#### 1.4 Discomfort, Pain, Injury (DPI)



**Workstation Assessment** - proactive assessment of staff members workstation to prevent discomfort, pain or injury (DPI)

**Early Report of Discomfort** – If workstation discomfort is reported and managed early it is much easier to prevent injury, often a workstation assessment will identify and rectify the cause of discomfort.

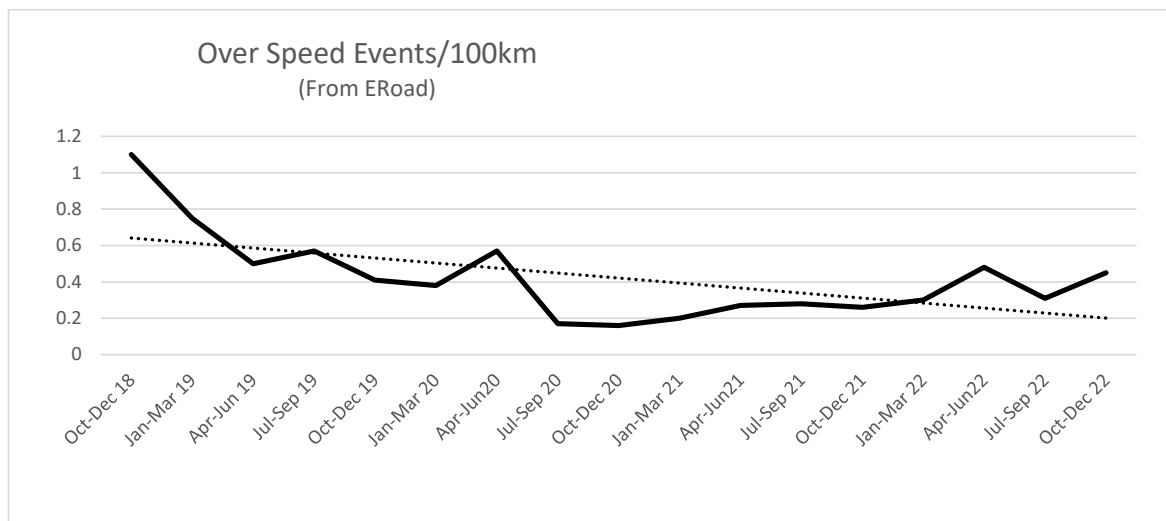
**Gradual Process Injury** – injuries are caused by the gradual onset of a condition that is related to a work task or the environment that you work in.

The general principle is that if enough proactive workstation assessments are completed there will be very little discomfort and if that discomfort is managed early there will be very few injuries.

The number of workstation assessments completed in this period was limited by workplace COVID-19 controls. Remote workstation assessments using an external provider have been trialled for some staff. The gradual process injuries shown in the chart are the 3 library staff incidents reported in the injury illness section.

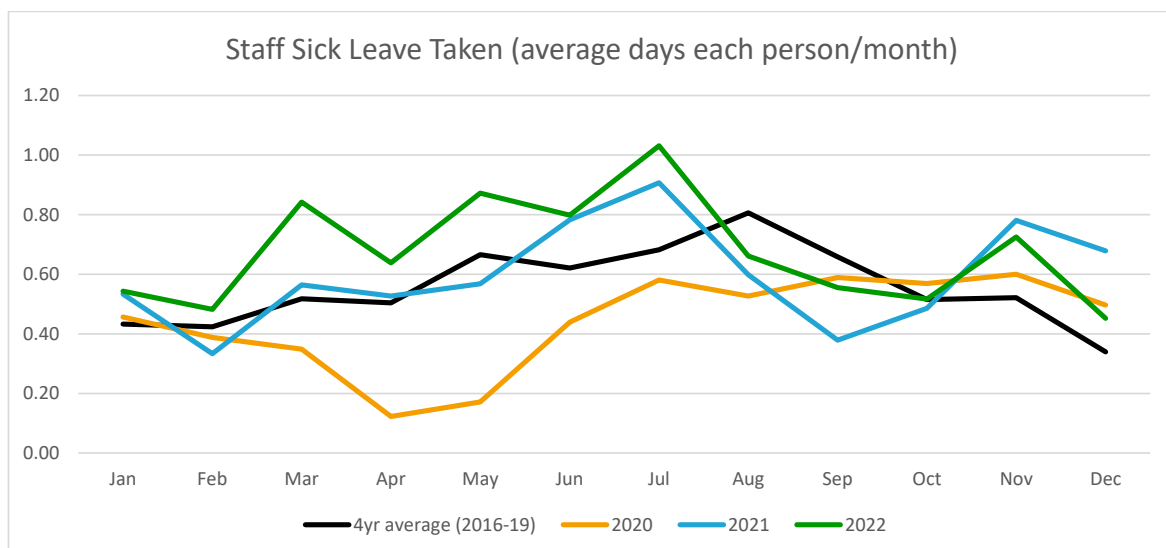
NDOCS-855153265-3535

### 1.5 Safe Driving



Overspeed events in Council vehicles have trended slightly up over the past year. The very low levels of overspeed events in late 2020 was following the introduction of newer hardware that gave drivers live feedback. It is expected that reminding staff that overspeed events are being monitored will curb any further upwards trend. To put this data in perspective in 2016, the year ERoad was first installed in Council vehicles the average overspeed rate was 1.61 events per 100km travelled, for 2022 the average was 0.39.

### 1.6 Staff Wellbeing

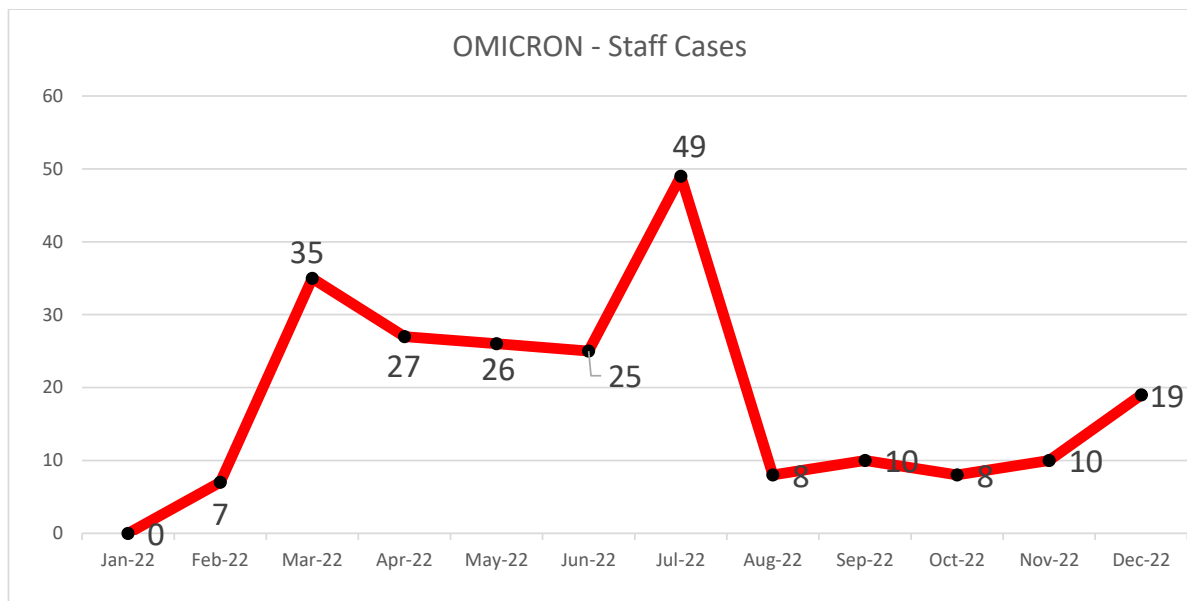


The average number of sick days taken by staff each month gives some indication of staff wellbeing when compared with a four-year average (2016-2019) and 2021. The higher rates for 2022 are a result of the Omicron outbreak and seasonal illness that was much less prevalent in 2020 and 2021.

NDOCS-855153265-3535

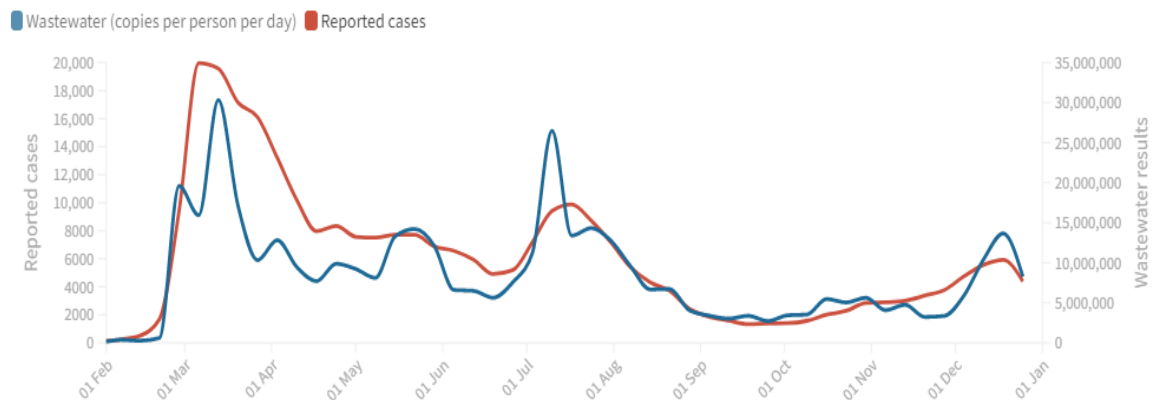


## 1.7 COVID-19 Response



Nationally the highest peak was in March, Council's highest peak in the July wave reflects the regional spread of the virus. Further peaks are expected over the coming year.

### Wastewater Covid-19 and reported case numbers

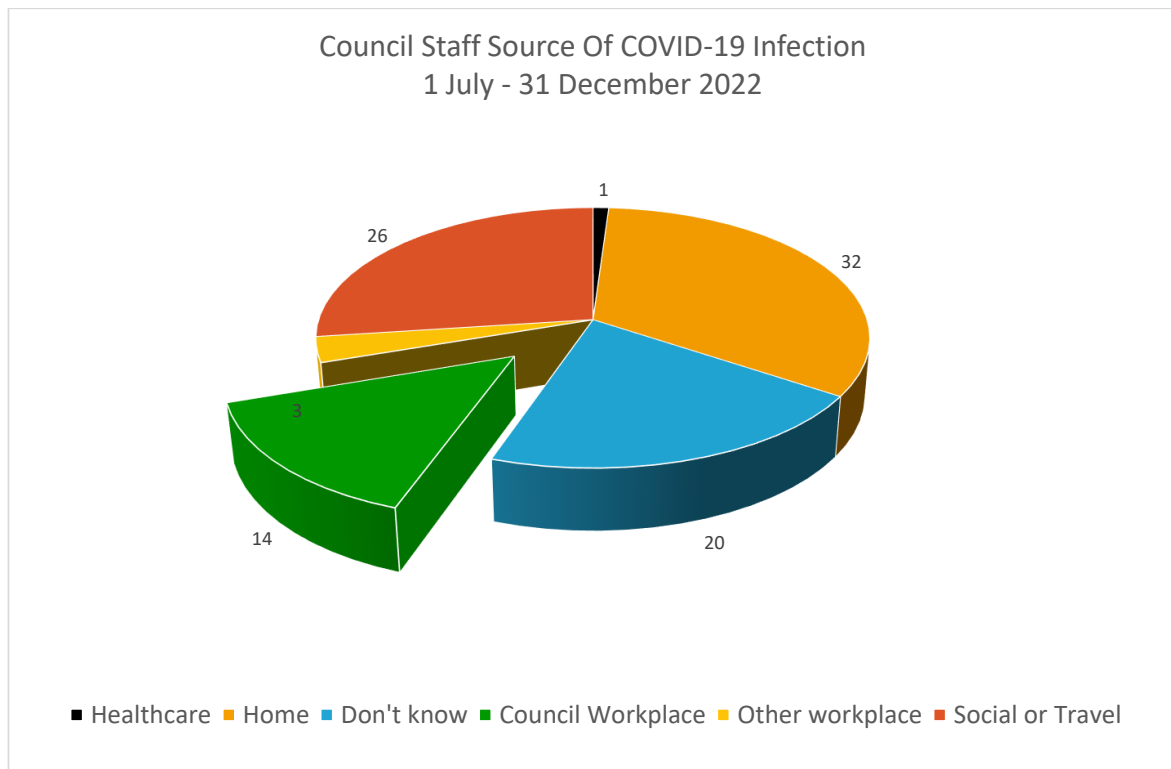


Source: [COVID-19 Data Repository by the Institute of Environmental Science and Research](#)

✳ A Flourish data visualization

This chart shows cases reported nationally and data from wastewater samples, this indicates that an increasing number of cases are not reported.

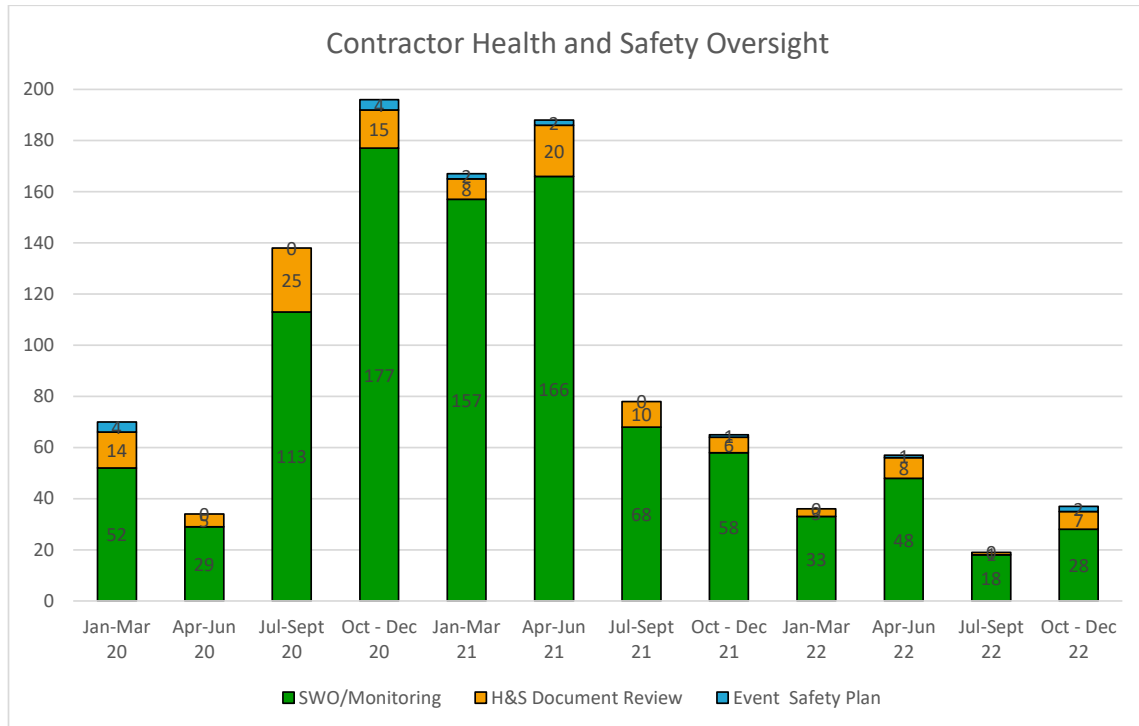
NDOCS-855153265-3535



This chart gives an indication of how effective workplace controls have been. Between 1 July and 31 December 2022 only 14 of 96 staff or elected members reporting positive test results identified the source of infection as being in a Council workplace. By recording data on staff cases Council is able to effectively monitor and minimise workplace transmission of COVID-19.

NDOCS-855153265-3535

## 1.8 Contractor Health and Safety Oversight



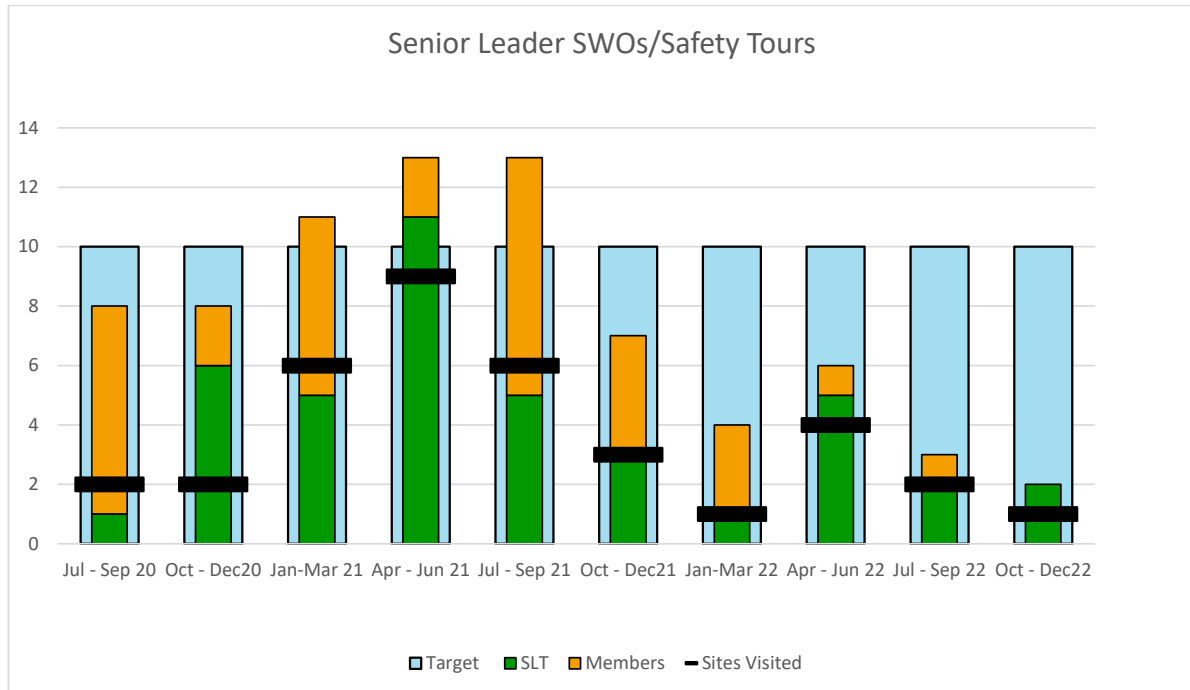
**SWO/Monitoring** – Contractor workplace visits or inspections that have a specific focus on H&S.

**H&S Document Review** – A safety plan or contractor pre-qualification is received and reviewed.

**Event H&S Plan** – A safety plan for a Council run event or venue hire.

NDOCS-855153265-3535

### 1.9 Senior Leader Due Diligence



The three site visits during this reporting period were:

- Andrew White and Councillor Noonan to Brook Valley Holiday Park after the August flood event.
- Andrew White to Founders Heritage Park collection store in September.
- Andrew White and Nikki Harrison to the Marina and hardstand in December.

Due Diligence targets for elected members are:

1. Two visits with a focus on health and safety to Council workplaces are scheduled for **elected members** to attend per quarter.
2. One visit with a focus on health and safety to a Council workplace by **each elected member** per calendar year.
3. Attendance at two health and safety committee meetings per year by **a member of the audit, risk and finance committee**.

The due Diligence target for SLT members is one safe work observation per quarter by each SLT member.

NDOCS-855153265-3535

## Section 2 - Key Health and Safety Risks

### 2.1 Contractor H&S Management - Insufficient oversight of contractors to meet Council's duties as a PCBU that has influence and control over the work

**Why do we see this as a risk?** Under the Health and Safety at Work Act 2015 Council has responsibilities for ensuring the health and safety of workers and others in situations where it contracts work to be done. If these responsibilities are not adequately met any injury or illness as a result of contracted work may lead to Council being prosecuted along with the contractor. The majority of Council's hazardous work or work that may put the public at risk is completed by contractors.

#### Managing the risk

Council manages this risk by having a comprehensive contractor health and safety management plan and processes in place.

##### Controls – What we have in place

- Contractors are required to demonstrate a level of health and safety competence through a pre-qualification process
- Standardised contract templates with clear health and safety requirements are in use for all new contracts
- There is a process for review of contract specific health and safety plans
- Contractor work is monitored with a specific focus on health and safety
- There is a process for reviewing contractor health and safety performance
- Asbestos management plans for Council assets are provided to contractors
- Contracts data base assists monitoring contractor health and safety requirements

##### Treatments - What we are planning

- Additional resource in H&S team with a focus on improving contractor oversight has been approved.

**Risk Owner** Chief Executive

**Residual Risk Rating** Medium (6)

#### Risk Map

Likelihood	Almost Certain	Medium	Medium	High	Very High	Very High
	Likely	Medium	Medium	High	High	Very High
	Possible	Low	Medium	Medium	High	High
	Unlikely	Very Low	Low	Medium	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
		Insignificant	Minor	Moderate	Major	Extreme
		Impact				

**Risk Movement** None

**Last updated:** January 2023

NDOCS-855153265-3535

## 2.2 Customer Aggression – threats to the health & safety of those who work for and with Council by customers who become abusive or violent.

**Why do we see this as a risk?** Council staff, elected representatives, contractors and volunteers can be threatened and abused while carrying out duties at Council facilities or in the field, resulting in injury or work-related stress. This risk is present in all public facing work carried out by Council.

### Managing the risk

Council is working on reviewing and managing the risk through best practice H&S management systems and continuous improvement.

#### Controls - What we have in place

- Crime prevention through environmental design is considered in design of new Council facilities
- CCTV surveillance is present in key Council workplaces
- Improved physical security in many workplaces as a result of security reviews
- Difficult customer training provided for staff in high exposure roles
- Minimum cash holdings
- Risk assessments are completed for Council meetings and large events
- Proactive use of security guards when indicated by increased risk
- Police advised of all large gatherings such as citizenship ceremonies
- Terrorism threat and vulnerability assessment tools used in major event and venue risk assessments
- 2020 External security review for libraries and Founders Heritage Park, ongoing implementation of actions
- Physical security improvements to office space at Maitai Camp
- Consultant review of security at Matai Camp

#### Treatments - What we are planning

- CCTV improvements at Marina
- Further controls at Maitai Camp being evaluated
- Live in caretaker role at Founders Heritage Park under consideration

**Risk Owner** Chief Executive

**Residual Risk Rating** Medium (9)

#### Risk Map

Likelihood	Almost Certain	Medium	Medium	High	Very High	Very High
	Likely	Medium	Medium	High	High	Very High
	Possible	Low	Medium	Medium	High	High
	Unlikely	Very Low	Low	Medium	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
		Insignificant	Minor	Moderate	Major	Extreme
		Impact				

**Risk Movement** None

**Last Updated:** January 2023

NDOCS-855153265-3535

## 2.3 Workplace Stress - Staff becoming unwell as a result of workplace stress.

**Why do we see this as a risk?** Work related stress has been identified as higher than acceptable in staff surveys. Workload has been identified as the most significant contributor to this stress with other factors identified that include the physical work environment, exposure to difficult customers and ongoing impacts of the COVID-19 pandemic.

### Managing the risk

Risks associated with workplace stress are managed by a range of wellbeing initiatives that go above and beyond mandatory requirements. Effective controls in other key risk areas will also help reduce workplace stress.

#### Controls - What we have in place

- Wellbeing at Work Oranga Mahi training for staff and accreditation achieved
- Working well together' policy in place with training provided
- Wellness team ensures there remains a focus on worker wellbeing over and above mandatory health and safety requirements in a workplace
- Regular communications and involvement in initiatives to improve mental health awareness
- Workplace Support – wellbeing services available to all staff
- Wellbeing framework 'Oranga Tonutanga' rolled to all staff (Sept 2020)
- Ongoing additional staffing resources provided where greatest need identified
- Staff survey completed March 2022
- Hybrid working policy reviewed
- Ongoing remediation of heavy ceiling tile risk in Civic House and Elma Turner Library

#### Treatments - What we are planning

- Managers asked to review staff workload Nov 2022

**Risk Owner** Chief Executive

**Residual Risk Rating** Medium (8)

#### Risk Map

Likelihood	Almost Certain	Medium	Medium	High	Very High	Very High
	Likely	Medium	Medium	High	High	Very High
	Possible	Low	Medium	Medium	High	High
	Unlikely	Very Low	Low	Medium	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
		Insignificant	Minor	Moderate	Major	Extreme
		Impact				

**Risk Movement** None

**Last Update:** January 2023

NDOCS-855153265-3535

## 2.4 COVID-19 - That staff or others are infected with COVID-19 at a Council workplace

**Why do we see this as a risk?** During the ongoing COVID-19 pandemic the emergence of new variants and removal of mandatory controls increases the likelihood that COVID-19 will spread in Council workplaces.

### Managing the risk

Council manages this risk through best practice controls and closely following official guidance with the objective of keeping workplace infection rates below levels of community transmission.

#### Controls - What we have in place

- Comprehensive workplace procedures that align closely with legislation and government advice
- Regular all staff communications
- IMT activated as and when required
- CO2 monitoring to ensure airflow is adequate in key meeting rooms
- Ongoing staff positive case reporting to manage risk of workplace spread
- Monitoring group meets 6 weekly and reports to SLT as required

#### Treatments - What we are planning

- Improve ventilation in key meeting rooms where use is severely limited by poor airflow.

**Risk Owner** Chief Executive

**Residual Risk Rating** Medium (8)

#### Risk Map

Likelihood	Almost Certain	Medium	Medium	High	Very High	Very High
	Likely	Medium	Medium	High	High	Very High
	Possible	Low	Medium	Medium	High	High
	Unlikely	Very Low	Low	Medium	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
		Insignificant	Minor	Moderate	Major	Critical
		Impact				

**Risk Movement** Reduced (Med 10 to Med 8)

**Last Update:** January 2023

NDOCS-855153265-3535



## 2.5 Specific High Consequence Activity Risks – That staff or others are seriously injured as a result of specific hazardous work

**Why do we see this as a risk?** Increasingly Council work includes areas of critical health and safety risks (high consequence low likelihood). These risks include; driving, moving plant operation, work at heights, work under suspended loads, work over water, work near moving water and the risk from working in spaces with earthquake prone ceilings

### Managing the risk

Council will adapt its health and safety management system to ensure these risks are effectively managed.

#### Controls - What we have in place

- Critical risks and controls captured in Council risk register
- Staff training provided as required
- Lone or remote and isolated work policy and procedures in place
- Ongoing engagement with staff on health and safety matters
- On the job and formal risk assessment procedures
- A vehicle use policy that addresses safe vehicle use
- Vehicle purchasing policy with a focus on higher safety ratings
- In vehicle monitoring that includes real time location and records over-speed events (ERoad)
- Comprehensive vehicle inspection and maintenance schedule

#### Treatments - What we are planning

- Review of Marina operations manual
- Mitigation to heavy ceiling tile risk in Council workplaces (underway and ongoing)
- Maritime Transport Operator Plan for Harbour Master submitted to MNZ.

**Risk Owner** Chief Executive

**Residual Risk Rating** Medium (8)

#### Risk Map

Likelihood	Almost Certain	Medium	Medium	High	Very High	Very High
	Likely	Medium	Medium	High	High	Very High
	Possible	Low	Medium	Medium	High	High
	Unlikely	Very Low	Low	Medium	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
		Insignificant	Minor	Moderate	Major	Extreme
		Impact				

**Risk Movement** None

**Last update:** January 2023

NDOCS-855153265-3535

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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 [↓](#)

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# Report to the Council on the audit of

Nelson City Council

For the year ended 30 June 2022

2126778665-296

Contents

Key messages .....	4
1      Recommendations .....	6
2      Our audit report .....	10
3      Matters raised in the Audit Plan .....	16
4      Assessment of internal control .....	22
5      Other matters identified during the audit .....	25
6      Public sector audit.....	29
7      Group audit .....	30
8      Useful publications.....	31
Appendix 1: Status of previous recommendations .....	36
Appendix 2: Disclosures .....	38

## Key messages

We have completed the audit for the year ended 30 June 2022 for Nelson City Council and Group (the Council and Group). This report sets out our findings from the audit and draws attention to areas where the Group is doing well and where we have made recommendations for improvement.

### Audit opinion

We have issued an unmodified audit opinion dated 24 November 2022. Without modifying our opinion, we 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.

### Matters identified during the audit

#### Revaluation of infrastructure assets

The City Council revalued its infrastructure asset classes as at 30 June 2022.

Our review concluded that the valuations were appropriate and correctly reflected in the financial statements. This is discussed further in section 3 of this report.

#### Drinking water quality performance measures (protozoa and bacteria)

These are material measures due to the public health risk from unsafe drinking water. The Government established Taumata Arowai to be the new regulator from 15 November 2021. It did not follow the same compliance assurance process as the Ministry of Health, so the Council engaged an expert to independently review compliance with the drinking water standards, for year ended 30 June 2022. We obtained sufficient assurance that we concurred that the Council water supply fully complied with the provisions of the Drinking Water Standards for New Zealand 2005 (Revised 2018) for the year.

#### Greenhouse gas emissions reporting

The reporting of greenhouse gas emissions is a rapidly developing area including the developmental release of reporting and auditing standards for it.. Due to the impact on climate change, there is high public interest in greenhouse gas emissions reporting. The challenge is that processes and standards are still in the development stage, and the reporting is usually based on a collectively large number of assumptions. Therefore, this reporting is challenging to audit. However, the Group audit team concluded that the emissions performance information reported by the District Council for Nelmac and itself, was fairly stated. Refer to section 5 for further details.

### Thank you

We would like to thank the Council, management and staff for their assistance and the open and constructive working relationship during the audit.

John Mackey  
Appointed Auditor  
Xx January 2023



## 1 Recommendations



Our recommendations for improvement and their priorities are based on our assessment as to how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Explanation	Priority
<b>Needs to be addressed <i>urgently</i></b> These recommendations relate to a significant deficiency that exposes the Council to significant risk or for any other reason needs to be addressed without delay.	Urgent
<b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. They include any control weakness that could undermine the system of internal control.	Necessary
<b>Address, <i>generally within six to 12 months</i></b> These recommendations relate to areas where the Council is falling short of best practice. In our view, it is beneficial for management to address them, provided the benefits outweigh the costs.	Beneficial

### 1.1 New recommendations

The following table summarises our recommendations and their priorities.

Recommendation	Reference	Priority
<b>Ability of staff to prepare and post their own journals</b> <ul style="list-style-type: none"> <li>Enforce the independent posting of journal entries to minimise the risk of errors and fraud; and</li> <li>Investigate and implement the options available in the system to prevent the same user from both creating and posting their own journals.</li> </ul>	3	Necessary
<b>Review of the Waka Kotahi funding reconciliations</b> Record and retain evidence of the timely review of reconciliations to help ensure identification of anomalies and their timely resolution.	4.2.1	Necessary

Recommendation	Reference	Priority
<b>Password settings are below current good practice</b> Ensure password settings meet generally accepted standards.	4.2.2	Necessary
<b>FMIS (MagiQ) login accounts need review</b> <ul style="list-style-type: none"> <li>Perform a full review of MagiQ user accounts and their access levels.</li> <li>Establish procedures to ensure the MagiQ application access is appropriately restricted to an individual and the use of the system administration accounts is logged.</li> </ul>	4.2.3	Necessary
<b>Access to Touch way system through use of a shared login ID for three staff members</b> Require each staff member to use their own login and unique IDs for accountability and security reasons.	4.2.4	Necessary
<b>Possibility of unaccrued revenue</b> <ul style="list-style-type: none"> <li>Ensure that a thorough process is performed to identify and calculate debtors' accruals at year end.</li> <li>Include within the process, a requirement for review on a one up basis.</li> </ul>	5.2	Necessary
<b>Review of capitalisation of labour costs</b> Implement a review of labour costs capitalised to ensure they meet the recognition criteria in the accounting standards.	5.3	Necessary
<b>Condition assessment in the three waters revaluation process</b> Implement condition assessment of assets to provide further assurance on the accuracy of asset lives as recommended by WSP.	5.4	Necessary

Recommendation	Reference	Priority
<p><b>Nelson Regional Sewerage Business Unit (NRSBU) and Nelson Tasman Regional Landfill Business Unit (NTRLBU) remaining useful life and on costs</b></p> <ul style="list-style-type: none"> <li>For NRSBU, review the maximum remaining life for all assets and review Preliminary and General (P&amp;G) costs for different projects to confirm the reasonability and accuracy of the P&amp;G percentage used.</li> <li>For NTRLBU, continue to review the maximum remaining life and residual value for all assets as plans for closure become clearer.</li> <li>For NTRLBU, review and confirm that all landfill capping costs are provided for either in the landfill replacement cost or as an impairment on the existing landfill.</li> </ul> <p>Please note that the property, plant and equipment accounting standard requires that the estimated post closures costs are estimated at inception and included in the cost of the landfill, and then amortised over the landfill's operational life.</p>	5.5	Necessary
<p><b>NTRLBU non- compliance with GAAP</b></p> <p>Revise the current practice to ensure capital commitments are recorded based on contractual amounts less the value of works performed up to year end. Any payments made against these contracts, or variations of costs, should also be adjusted to accurately determine what capital commitments exist at any given point in time.</p>	5.6	Necessary
<p><b>Rent review processes</b></p> <p>Maintain and monitor a rent review schedule, with details of all the rent agreements' review dates, to ensure that all rent reviews are concluded in a timely manner.</p>	5.7	Necessary
<p><b>Recording and monitoring commitments</b></p> <p>Revise the current practice to ensure that capital commitments are recorded based on contractual amounts less the value of works performed up to year end.</p>	5.8	Necessary

## 1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations.  
Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open		3	1	4
Implemented or closed		1	1	2
<b>Total</b>		<b>4</b>	<b>2</b>	<b>6</b>

## 2 Our audit report

### 2.1 We issued an unmodified audit report



We issued an unmodified audit report on 24 November 2022. This means we were satisfied that the financial statements, and statement of service performance, present fairly the Group's activity for the year and its financial position at the end of the year.

Without modifying our opinion, we drew attention to the disclosures, which outline that, in June 2022, the Government introduced legislation to establish four publicly owned water services entities to assume the responsibilities for service delivery and infrastructure from local authorities, with effect from 1 July 2024.

The impact of these proposed reforms, once legislated, will mean that the City Council will no longer deliver three waters services, or own the assets required to deliver these services. The bill was currently before Parliament when the audit report was issued and as such, the impacts of the proposed reforms were unclear. The bill was subsequently enacted and received royal assent on 4 December 2022. In December 2022, the Government introduced the Water Services Legislation Bill, which will transfer the assets and liabilities to the water services entities.

### 2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we discussed with management the misstatements that we found, other than those which were clearly trivial. The misstatements that have not been corrected, are listed below along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Grant income	1				578,076
Other income					(578,076)
Impairment of building expense	2				714,000
Elma Turner Library building		(714,000)			
<b>Total parent</b>		<b>(714,000)</b>	-	-	<b>714,000</b>
<b>Total group</b>		<b>(714,000)</b>	-	-	<b>714,000</b>

### 2.3 Explanation of uncorrected misstatements

- 1 This relates to the reclassification of the revenue from Tasman District Council, from recoveries, to other revenue, as it was incorrectly classified as grants and subsidies.  
  
Management has assessed this as immaterial for adjustment.
- 2 This relates to the impairment of the Elma Turner Library due to it being earthquake prone. The \$714k is the cost to complete strengthening works to meet the NBS standards and excludes any additional improvements beyond those to meet the minimum NBS standards.  
  
Management has assessed this as immaterial for adjustment.

### 2.4 Uncorrected disclosure deficiencies

There are no uncorrected disclosure deficiencies.

### 2.5 Uncorrected performance reporting misstatements

There are no uncorrected disclosure deficiencies.

### 2.6 Corrected misstatements

We also identified misstatements that were corrected by management.

Current year corrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Other financial assets	1	10,000,000			
Cash and cash equivalents		(10,000,000)			
Stormwater infrastructure	2	40,532,085			
Sewerage infrastructure		33,075,480			
Revaluation reserve				(73,607,565)	

Current year corrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Stormwater infrastructure	3	964,742			
Flood protection infrastructure		1,076,979			
Roading infrastructure		41,035,550			
Sewerage infrastructure		5,023,896			
Carpark infrastructure		427,351			
Water infrastructure		10,836,053			
Solid waste infrastructure		665,084			
Wastewater Treatment plant and facilities		(19,095,387)			
Revaluation reserve				40,934,269	
<b>Total parent</b>		<b>114,541,833</b>	<b>-</b>	<b>114,541,833</b>	

#### Explanation of corrected misstatements

- 1 The reclassification of term deposits with a 12-month maturity period from cash to other financial assets.
- 2 The correction of revaluation errors for stormwater and sewerage assets.
- 3 To correct and update the revaluation as at 30 June 2022.

#### 2.7 Corrected disclosure deficiencies

Detail of disclosure deficiency
Updated disclosure of the impact of Three Waters Reform
Greenhouse gas disclosures per the Nelmac report under the CCO section
Disclosure of a change in accounting policy for the classification of exchange and non-exchange debtors

Detail of disclosure deficiency
Severance payments amounts were updated to show the correct amounts
KMP disclosures were updated
Contingent liabilities were corrected to include all the required information for the Local Government Funding Agency guarantee
Insurance disclosures were updated to reflect the correct amounts
Prudence benchmarks – the debt affordability benchmark and debt control benchmark were corrected
Capital commitment amounts were corrected
Correction of amounts disclosed as Work in Progress
Various other minor disclosure deficiencies were corrected

## 2.8 Corrected performance reporting misstatements

Detail of misstatement
All performance misstatements were corrected by management

## 2.9 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the Council. This includes the draft annual report with supporting working papers.

We worked with management to support the adoption of the annual report prior to Christmas. We would like to thank management for their constructive and ongoing engagement to complete the process.

The first few drafts of the financial statements provided to audit, did not have complete group numbers largely due to delays in the completion of the Nelmac audit. In addition, the funding impact statements were provided, to audit, over two weeks into the final audit. We note the finance team had unfilled vacancies. Also, new staff members started during the audit, so their capacity was constrained during the audit.

We appreciate the effort of staff required to prepare the annual report document and the coordination that is needed across multiple areas of Council to obtain the necessary information. We would especially like to thank the Finance Manager and his team, for the assistance provided to the audit team under challenging circumstances.



However, there were some areas where additional work was required/ or where we faced significant delays, including s:

- **Revaluation of infrastructure assets**

The valuation reports were not provided on time by WSP. This resulted in additional time being spent reviewing the three waters revaluations and the roading revaluations. We understand the valuers were working with tight resourcing, and a large workload. However, these valuation delays resulted in delays and inefficiencies with the audit, contributing to cost overruns with the review of the infrastructure valuations.

Additional work is now required for valuations due to revisions of International Auditing Standards (NZ) 540, auditing of accounting estimates. This resulted in additional work in the verification of critical judgments and assumptions applied.

- **Drinking water quality performance measures (protozoa and bacteria)**

Changes to the regulation and administration of drinking water standards required the documentation and review of two different processes, gaining agreement from Office of the Auditor-General on an acceptable approach to obtain sufficient assurance, and then implementation of the revised approach.

- **First year of greenhouse gas (GHG) emissions reporting**

GHG emissions reporting is a developing area of reporting, and currently, there is not the same level of rigour with it as there is for financial reporting. It involves significant estimates and judgements. This was the first year of GHG emissions reporting by the City Council.

The additional work for the City Council's own GHG emissions was limited as it was not included in any of the performance measures included as formal targets in the Council's 2021-31 LTP. However, formal GHG emission targets were set for Nelmac Limited (Nelmac). Auditing of this reporting proved a challenge which resulted in an emphasis of matter (EOM) paragraph being included in Nelmac's audit report.

This required additional work for the City Council's audit as we needed to assess the impact on the City Council's audit. The assessment, which needed to be approved by the Office of the Auditor-General, determined that this reporting of Nelmac's GHG emissions, by the City Council, was not material to the City Council, so no EOM paragraph was required in the City Council's audit report. However, considerable time was spent to reach these conclusions.

- **Complete expenditure population**

The expenditure listing initially provided by the City Council was incomplete. Obtaining a complete listing from MagiQ proved extremely difficult and was only able to be resolved through management liaising with the vendor in Australia.

This resulted in additional work and the delays also made the testing approach inefficient.

- **Commitments**

We faced some significant delays in obtaining correct information for commitments. The delays encountered were due to the incorrect documents provided. The basis of management's commitments listing was based on purchase orders instead of contractual agreements> We then had to calculate the correct the amounts and this required significant audit time.

We acknowledge and appreciate management's assistance with addressing the issues above. However, we will seek approval from the Office of the Auditor-General to negotiate an additional fee recovery after we have analysed our costs in detail.

### 3 Matters raised in the Audit Plan



In our Audit Plan of 5 October 2022, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
<b>Property, plant and equipment revaluations, impairment and fair value assessments</b>	
<p>Infrastructural assets and other revalued assets need to be revalued with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. The relevant accounting standard is PBE IPSAS 17, <i>Property, Plant and Equipment</i>.</p> <p>The City Council is also required to assess, under accounting standards, <i>PBE IPSAS 21, Impairment of Non-Cash-Generating Assets</i> and <i>PBE IPSAS 26, Impairment of Cash-Generating Assets</i>, at each balance date, whether there are indicators of impairment. If there are then it needs to perform a formal impairment assessment and account for any impairment identified.</p> <p>Management advise that that the City Council will revalue its infrastructure assets effective 30 June 2022. The revaluation represents a risk to the City Council because the estimate involves expert judgements and assumptions which are subject to inherent uncertainty.</p> <p>For those assets that will not be revalued, we expect that the City Council to perform a comprehensive analysis to determine whether there is a significant variance between the fair value as at 30 June 2022 and the carrying value that would trigger the need for the City Council to revalue its assets. This is particularly relevant for land, which the City Council does not intend to revalue.</p> <p>We suggest that these assessments are preformed early so any required valuations can be performed and audited to avoid delays later in the process.</p>	<p><b>Infrastructure asset revaluations</b></p> <p>The Council revalues its infrastructure assets annually on a Depreciated Replacement Cost (DRC) basis. As at 30 June 2022, the roading portfolio's value increased by \$125.7 million which equates to a 16% uplift. In addition, the three waters portfolio's value increased by \$81.3 million which equates to a 17% uplift. Both these increases are reflective of the increases in unit rates due to significant construction costs increases and supply chain constraints, since the last valuation.</p> <p>We performed sample testing of unit rates to contracts, to confirm that the rates used were reasonable. We also compared a sample of unit rates to those for other Councils in the South Island. Based on this review, we were satisfied that the revaluation increase was reasonable.</p> <p>We reviewed the revaluation process including source data collection, the methodology applied for the valuation, and the reasonableness of the assumptions. We concluded that the valuations were appropriate for inclusion in the financial statements. WSP was engaged to verify that the methodology and supporting data, used to prepare the valuations, complies with the accounting standards, and with New Zealand local authority asset management practice (New Zealand Infrastructure Asset Management Manual and Valuation and Depreciation Guidelines). We assessed that the significant assumptions applied were reasonable.</p> <p>We are satisfied that the valuations are reasonable.</p>

Audit risk/issue	Outcome
	<p><b>Land fair value assessment</b></p> <p>Land is revalued on a three-year cycle and was last revalued as at 30 June 2021. The City Council assessed whether the carrying value of land was materially different from its fair value.</p> <p>We reviewed the City Council's assessment and confirmed expected movements to data sources. This included applicable published cost indices, comparable valuations undertaken this year, and consideration of recent sales.</p> <p>We concluded the expected fair value of the land was not materially greater than its carrying value. Therefore, we accepted the City Council's conclusion that no land revaluation was required this year.</p>
<b>Capital asset additions and work-in-progress</b>	
<p>The City Council continues to have a significant ongoing capital programme. Accounting for capital projects, that are either completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements, including:</p> <ul style="list-style-type: none"> <li>• assessment of the nature of costs and either capitalisation of them as work in progress, or their recognition as expenses;</li> <li>• identification of asset components and assignment of appropriate useful lives to these components; and</li> <li>• identification of the appropriate date of capitalisation of the asset, transfer of costs from work in progress to asset additions and the commencement of depreciation of the asset.</li> </ul>	<p>We reviewed the classification of the City Council's capital additions and work-in-progress, including whether expenditure had been correctly classified as capital or operating, the appropriate capitalisation point was applied, and whether the depreciation rates assigned were reasonable. We also reviewed the disclosures in the financial statements.</p> <p>We were satisfied that the accounting treatment was appropriate, and capital asset additions and work-in-progress are fairly stated in the financial statements, and appropriately disclosed.</p>
<b>Three Water Reform</b>	
<p>In July 2020, the Government released its Three Waters Reform, a three-year programme to change the way drinking water, sewer and stormwater are delivered, to improve public health, environmental and economic outcomes.</p> <p>At the same time, the Government offered a multi-million-dollar stimulus funding package, to maintain and improve three waters infrastructure across New Zealand. The Council signed a Memorandum of</p>	<p>The impact of the proposal is that the City Council would no longer be responsible for the delivery of three waters services or own the assets required to deliver these services. Further details of the reform proposal are expected from the introduction of additional legislation.</p> <p>In June 2022, the Government introduced legislation to establish four publicly owned</p>

Audit risk/issue	Outcome
<p>Understanding (MOU) with the Government and received stimulus funding. By signing this MOU, the Council agreed to participate in the exploration of future service delivery options for the three waters services and to collaborate with agencies involved in the reform.</p> <p>On 29 April 2022, the Government announced that the Three Waters Reforms will proceed with local councils taking non-financial shareholdings in four new public water entities. There is still considerable information to come as to what these reforms mean for the City Council before the remaining issues are clarified.</p>	<p>water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The legislation received royal assent from the Governor-General on 14 December 2022 subsequent to the City Council's adoption of its annual report. The impact of these reforms will mean that the District Council will no longer deliver three waters services or own the assets required to deliver these services. In December 2022, the Government introduced the Water Services Legislation Bill, which will transfer assets and liabilities to the water services entities.</p> <p>The bill was passed after the Council's adoption of its 2022 annual report.</p> <p>We are satisfied with Council's disclosure in note 2 of the annual report.</p>
<b>Compliance with drinking water standards</b>	
<p>The City Council is required, along with other territorial authorities, to report on its compliance with the drinking water standards (DWS) to:</p> <p>The extent to which the drinking water supply complies with:</p> <ul style="list-style-type: none"> <li>a. Part 4 of the drinking-water standards (bacteria compliance criteria); and</li> <li>b. Part 5 of the drinking-water standards (protozoal compliance criteria).</li> </ul> <p>We understand that drinking water online database ceased its general access from 30 November 2021 and the drinking water assessor (DWA) role was terminated. Our audit approach, to gain assurance on the compliance with the DWS, has relied significantly on the drinking water online database, the work and expertise of the DWA, and the DWA's reports.</p> <p>We are working with Office of the Auditor-General and Te Tari Taiwhenua Department of Internal Affairs (DIA) to understand the implications of the above changes on the reporting on the DWS measures.</p>	<p>Taumata Arowai is now the Government agency responsible for the regulation of drinking water in New Zealand, replacing the Ministry of Health and Drinking Water Assessors. Taumata Arowai took over the regulatory responsibilities in November 2021. However, it did not undertake a review or assessment of drinking water standards compliance for the 2021/22 compliance period.</p> <p>The Council engaged an expert to independently review compliance with the drinking water standards, which were operative during the compliance period from 1 July 2021 to 30 June 2022. The system used for assessment is the same system used by Drinking Water Assessors in the past. The expert, Matt Malloy, concluded that the City Council's water supply fully complied with the provisions of the Drinking Water Standards for New Zealand 2005 (Revised 2018).</p> <p>We obtained a representation, from the expert, that the assessment was completed in accordance with the relevant drinking water standards. We assessed that the expert was suitably qualified and independent from Council. We also confirmed that the underlying</p>

Audit risk/issue	Outcome
	data and assumptions, used by the expert, were complete and reasonable and appropriate disclosure was included in the annual report.
<b>Accounting for Nelson City Council group entities</b>	
<p>The City Council's consolidated financial statements include financial information from its subsidiary and joint ventures.</p> <p>The City Council will need to continue to assess the reporting implications that arise from accounting policy differences between the City Council's group financial statements, prepared under Public Benefit Entity (PBE) accounting standards, and its for profit entity subsidiary and joint ventures.</p> <p>When auditing the group financial statements, it is important that we understand the matters of interest, at the individual component level, to form a view as to whether the financial statements of the components are a reliable basis for preparation of the group financial statements, that fairly reflect the results of the group's operations and cash flows and its financial position at balance date.</p> <p>We assess that the significant business and accounting issues, for the group, are the valuation and assessment of impairment of key group assets such as Port Nelson's and Nelson Airport's property, plant and equipment.</p> <p>We suggest that these assessments are performed early so any required follow up actions can be performed and audited to avoid delays later in the process.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>obtained assurance from our audits of the City Council's significant components that this financial information is materially correct for group reporting purposes;</li> <li>met with senior management to discuss audit progress on the group financial statements and any significant group concerns that could affect the group consolidation or reporting timeframes, and developed the audit response as required; and</li> <li>reviewed management's assessment of the mixed group reporting implications and reviewed the consolidation adjustments required to ensure compliance with the relevant accounting standards.</li> </ul> <p>No significant issues have been noted from our review.</p>
<b>Covid-19 pandemic</b>	
<p>The long-term impact of Covid-19 in New Zealand, and how it might affect public entities, is unknown. However, aspects of the City Council's operations continue to be impacted by Covid-19.</p> <p>These business risks may also impact on the City Council's financial statements and performance reporting.</p>	<p>Management has actively monitored the impact of the Covid-19 pandemic on the City Council's activities and financial performance.</p> <p>This is appropriately disclosed in the notes to the financial statements.</p>

Audit risk/issue	Outcome
<b>Rates</b>	
<p>Rates are the City Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.</p> <p>The City Council should have appropriate processes in place. Where issues or concerns arise, it should seek legal advice, to ensure compliance with legislation of its rates and rating processes.</p>	<p>Compliance with the Local Government (Rating) Act 2002 (LGRA) is critical to ensure that rates are validly set and not at risk of legal challenge.</p> <p>We focused our review on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS). We also reviewed a sample of differentially set and targeted rates. We found that the matters and factors used, are consistent with the LGRA.</p>
<b>Risk of management override of internal controls</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by override of controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> <li>• testing the appropriateness of selected journal entries and other adjustments made in the preparation of the financial statements;</li> <li>• review of the accounting estimates, including the revaluation of land and buildings, assessment of the fair value of infrastructure assets, valuation of investment property, and valuation of forestry assets, for indications of management bias; and</li> <li>• evaluation of unusual or one-off transactions, including those with related parties.</li> </ul> <p>We found no indications of management override that would result in a material misstatement in the financial statements, due to fraud.</p> <p>However, we noted that staff, who have access to the journal system, can prepare and post their own Journals. This presents a risk of fraud and error going undetected.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Enforce the independent posting of journal entries to ensure segregation of duties and;</li> <li>• Investigate and implement the options, available in the system which prevent</li> </ul>

Audit risk/issue	Outcome
	<p>the same user from creating and posting their own journals.</p> <p><b>Management comment</b></p> <p><i>All journals are currently reviewed by someone other than the preparer before posting.</i></p> <p><i>Management will follow up with MagiQ support to see about the possibility of not creating and posting own journals.</i></p> <p><i>It is noted that if this prevents the finance team from being able to import multiple journal lines at a time, then, due to inefficiencies, the finance team will not implement this, and rather, look at reviewing all manual journals on a systematic basis instead.</i></p>



## 4 Assessment of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal controls relevant to preparation of the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings relate to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

### 4.1 Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates, and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of Council, needs to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We performed a high-level assessment of the control environment, risk management process, and monitoring of controls for financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

We consider that a culture of honesty and ethical behaviour has been created. The elements of the control environment provide an appropriate foundation for other components of internal control.

### 4.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

We have no concerns over the internal control processes other than the ones explained below, where we note an areas of improvement.

#### 4.2.1 Review of the Waka Kotahi funding reconciliations

We found no evidence of the review of the September 2022 reconciliation. This presents a risk that an error or fraud could go undetected.

##### Recommendations

Record and retain evidence of the timely review of reconciliations to help ensure identification of anomalies and their timely resolution.

##### Management comment

*Management will ensure that the Waka Kotahi funding reconciliations are signed by the reviewer on a timely basis.*

#### 4.2.2 Password settings are below current standards

The City Council's network and application password settings are below current generally accepted standards. New Zealand Information Security Manual recommends the following settings:

- Password minimum length 10 characters if complexity is enabled and 16 characters if not enabled;
- Password changes forced every 90 days: and
- Password history of 13

We note that in January 2020, the senior leadership team accepted a proposal for 12-character passwords without complexity. Since that time generally accepted standards have increased further.

##### Management comment

*The auditor's findings have an error. We will refute some of these findings in a separate correspondence with the auditor.*

#### 4.2.3 MagiQ login accounts

Reviews of MagiQ user accounts are performed three monthly. However, no full review and reduction of generic user accounts has been performed. The MagiQ user accounts list includes over 80 generic logins plus generic superuser logins. Shared login accounts raise the risk of inappropriate use of these accounts.

There has been no recent full review of MagiQ user accounts and their access levels. We highlighted the high number of people who had MagiQ system administrator accounts during our review and management subsequently reviewed and reduced the number of system administrator accounts.

We understand that the move to MagiQ cloud, in February 2023, will positively impact the current situation as multi factor authentication will be enforced, effectively eliminating shared accounts. However, it is good practice to reduce the organisational risks that currently exist until this move occurs.

**Recommendation**

- Perform a full review of MagiQ user accounts and their access levels.
- Establish procedures to ensure the MagiQ application access is appropriately restricted to an individual and use of the system administration accounts is logged.

**Management comment**

*Finance Manager reviews all the MagiQ user access every six months together with the Projects Officer Finance.*

**4.2.4 Access to Touch way system through use of a shared login**

From our review of the landfill revenue systems and controls, we noted that access is restricted to three staff members within the department. However, the three staff members share a single login ID. Therefore, for monitoring and accountability purposes, the review of the audit trail for the login ID is limited as any actions, within the system, cannot be traced to a specific staff member. This presents a risk of malicious activities such as fraud being perpetrated in the system as staff are aware that this cannot be easily pinpointed to any specific user.

In addition, there is an opportunity for staff to share the login details with other unauthorised staff members and this will not be identified from the audit trail.

**Recommendation**

Require each staff member to use their own unique login ID's for security reasons and for ease of monitoring.

**Management comment**

*Going forward if other/new staff members are accessing "Touch way" a new login will be created.*

## 5 Other matters identified during the audit



In this section we outline other matters we identified during the audit.

### 5.1 Greenhouse Gas (GHG) emissions reporting

The reporting of greenhouse gas emissions is a rapidly developing area including the release of reporting and auditing standards for it. Due to the impact on climate change, there is high public interest in greenhouse gas emissions reporting. The challenge is that processes and standards are still in the development stage, and the reporting is usually based on a collectively large number of assumptions. Therefore, this reporting is challenging to audit. However, the Group audit team concluded that the emissions performance information, reported by the District Council for Nelmac and itself, was fairly stated.

The City Council did not set any formal targets for GHG emissions, so this was not a key performance measure that we needed to audit. However, the City Council's wholly owned subsidiary, Nelmac Limited (Nelmac), did set a target for reduction of its emissions, and its auditor assessed that it was a material measure.

The Nelmac audit team concluded emissions performance information was fairly stated.

Due to the inherent uncertainties, arising from incomplete scientific knowledge and estimation processes, Nelmac's audit report included an emphasis of matter paragraph to highlight this to the reader. This is consistent with all other public sector audits where emissions measures have been selected as material.

The OAG Climate Steering Committee determined that, as the performance measure was immaterial to the City Council's annual report, as a whole, no emphasis of matter paragraph was needed in the City Council's audit report.

We confirmed that the City Council's disclosures included information on the inherent uncertainties, arising from incomplete scientific knowledge and estimation processes.

### 5.2 Possibility of unaccrued revenue

From our sample testing of the debtors' balance, we identified an invoice that was incorrectly excluded from the revenue accruals listing. This highlights a risk of understatement of the receivables balance.

#### Recommendation

- Ensure that a thorough process is performed to identify and calculate debtors' accruals at year end;
- Include within the process, a requirement for a one up review.

**Management comment**

*At year-end a finance team member will be allocated the accrual of debtors and it will be internally reviewed by one of the accountants.*

*A second level review will be performed on the P&L to ensure that all revenue accounts have been accrued for. This will be against budget, as well as prior months.*

**5.3 No review of capitalised labour costs**

We note that labour costs are capitalised from system generated reports from timesheets submitted by employees. However, there is no review performed to ensure that the nature of the labour costs capitalised meets the capitalisation criteria in the accounting standards.

**Recommendation**

Implement a review of capitalised labour costs to ensure they meet the recognition criteria in the accounting standards.

**Management comment**

*All labour costs that have been capitalised will be reviewed at year-end in a separate file-note, with reference to accounting standards.*

**5.4 Condition assessment for the three waters revaluation process**

**Recommendation**

Implement condition assessment of assets to provide further assurance on the accuracy of asset lives as recommended by WSP.

**Management comment**

*Finance will peer-review the assessment of the three waters valuation/asset lives done by WSP to ensure this makes sense with our understanding.*

**5.5 Nelson Regional Sewerage Business Unit (NRSBU) and Nelson Tasman Regional Landfill Business Unit (NTRLBU) remaining useful lives and on costs**

We reviewed the revaluations of both business units' revaluations and identified that there is the opportunity to improve the approach with the determination of the maximum remaining life for the assets, and the setting of the on-costs percentage.

**Recommendations**

- For NRSBU, review the maximum remaining life for all assets and review Preliminary and General (P&G) costs for different projects to confirm the reasonability and accuracy of the P&G percentage used.

- For NTRLBU, continue to review the maximum remaining life, and residual value, for all assets as plans for closure become clearer.

**Management comment**

Noted.

**5.6 NTRLBU non- compliance with GAAP**

The property, plant and equipment accounting standard specifies that the cost of an item of PPE comprises: the initial estimate of the costs to dismantle and remove the item and restore the site on which it is located, and the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during the period. This amount is and then to be amortised over the landfill's operational life.

We noted that the City Council's accounting treatment for NTRLBU does not align with this paragraph.

**Recommendations**

- Include within the cost of the landfill asset, the estimated aftercare and restoration costs.
- Amortise the landfill asset over the operating life of the landfill, down to its post closure land value.
- Review and confirm that all landfill capping costs are provided for either in the landfill replacement cost or as an impairment on the existing landfill.

**Management comment**

*Finance will peer-review NTRLBU financials to ensure the compliance with GAAP.*

**5.7 Rent review processes**

From our testing of rental revenue, we noted that the rent review dates were missed for two samples. This may indicate a lack of control to ensure timely review of rental agreements which could result in potential loss of revenue.

**Recommendation**

Maintain and monitor a rent review schedule, with details of all the rent agreements review dates, to ensure that all rent reviews are concluded in a timely manner.

**Management comment**

*A Rent review schedule will be prepared to ensure all rent reviews are completed and correct records are kept where no rent reviews have been completed.*

*It is noted that rent reviews have not followed normal procedures in 2021/22 due to Covid-19 impacts and decisions of Council about rent relief.*

#### **5.8 Recording and monitoring commitments**

The values for commitments were calculated based on purchase orders raised instead on the amounts per the contracts less the value of works completed to year end. We identified that the balance was understated by approximately \$3 million. The financial statements note, and underlying notes, were updated to \$40 million, the correct amount.

##### **Recommendation**

Revise the current practice to ensure that capital commitments are recorded based on contractual amounts less the value of works performed up to year end.

##### **Management comment**

*Finance will peer-review capital commitments to ensure the correct calculation of commitments for year end.*

#### **5.9 Significant subsequent events disclosed in the annual report**

##### **5.9.1 Resolution to establish a holding company**

After year end, in September 2022, the Council resolved to establish a holding company, named Infrastructure Holdings Limited ("IHL"), to hold the Nelson City Council and Tasman District Council shareholdings (the "shareholders") in Port Nelson and Nelson Airport (the "subsidiaries"). IHL's primary purpose is to operate as a treasury vehicle to access cheaper core debt to on-lend to its subsidiaries. IHL will join the Local Government Funding Agency ("LGFA") borrowing programme as a council-controlled trading organisation. This will deliver savings in financing costs, as the LGFA has a lower credit risk. The LGFA and the bank will require certain financial conditions, including cross-guarantees, and general security over property.

We are satisfied that adequate disclosures have been made in the financial statements.

##### **5.9.2 Nelson floods**

In August 2022, a state of emergency was declared in Nelson due to areas of widespread flooding. This caused major damage to Council infrastructure in the Nelson and surrounding areas. As at the annual report sign off date, the assessment and restoration were still continuing. Therefore, an accurate estimate of its financial effect could not be made at that date.

We are satisfied that adequate disclosures have been made in the financial statements.

## 6 Public sector audit



The Group is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the Group said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the the City Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the the Council carrying out its activities effectively and efficiently;
- waste being incurred as a result of any act or failure to act by the Council;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the the Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the the Council or by one or more of its members, office holders, or employees.

There were no instances of any of the above items that came to our attention during the audit or advised by the component auditors for the Group.

There were no significant severance payments disclosed.

We also sample tested Mayor and Chief Executive expenses, Councillor remuneration, senior management remuneration as well as related party transactions. We have no issues to bring to your attention.



7 Group audit



The group comprises the City Council, its subsidiaries, joint ventures and joint arrangements:

- Port Nelson Limited
- Nelson Airport Limited
- Nelmac Limited
- Tasman Bays Heritage Trust
- Bishop Suter Art Gallery
- The Nelson Civic Trust
- Nelson Regional Development Agency

We have not identified any of the following during our audit for the year ended 30 June 2022:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor’s work.
- Limitations on the group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

## 8 Useful publications



Based on our knowledge of the Council, we have included some publications that the Council and management may find useful.

Description	Where to find it
<b>Performance reporting</b>	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications. Link: <a href="#">The problems, progress, and potential of performance reporting</a>
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice. Link: <a href="#">Good practice in reporting about performance — Office of the Auditor-General New Zealand (oag.parliament.nz)</a>
<b>Local government risk management practices</b>	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General's website under publications. Link: <a href="#">Observations on local government risk management practices</a>
<b>Public accountability</b>	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the Office of the Auditor-General's website under publications. Link: <a href="#">Building a stronger public accountability system for New Zealanders</a>

Description	Where to find it
<b>Setting and administering fees and levies for cost recovery</b>	
This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.	On the Office of the Auditor-General's website under publications. Link: <a href="#">Setting and administering fees and levies for cost recovery: Good practice guide</a>
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice. Link: <a href="#">Good practice in reporting about performance — Audit New Zealand (auditnz.parliament.nz)</a>
<b>Managing conflicts of interest involving council employees</b>	
This article discusses findings across four councils on how conflicts of interest of council employees, including the Chief Executive and staff, are managed.	On the Office of the Auditor-General's website under publications. Link: <a href="#">Getting it right: Managing conflicts of interest involving council employees</a>
<b>Establishing a new "public entity"</b>	
This document is for people making policy decisions about establishing a new public entity. It sets out questions to help you consider what accountability requirements a new public entity should have.	On the Office of the Auditor-General's website under publications. Link: <a href="#">Accountability requirements to consider when establishing a new "public entity"</a>
<b>Covid-19 implications for financial reporting and audit in the public sector</b>	
Audit New Zealand Executive Director Steve Walker and Head of Accounting Robert Cox joined an online panel hosted by Victoria University of Wellington and the External Reporting Board. They discuss the effects of Covid-19 and the economic recovery on financial reporting and audit in the public sector.	On our website under good practice. Link: <a href="#">Covid-19 page</a> Link: <a href="#">Webinar</a>

Description	Where to find it
<b>Model financial statements</b>	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> <li>• significant accounting policies are alongside the notes to which they relate;</li> <li>• simplifying accounting policy language;</li> <li>• enhancing estimates and judgement disclosures; and</li> <li>• including colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	<p>Link: <a href="#">Model Financial Statements</a></p>
<b>Tax matters</b>	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On our website under good practice</p> <p>Link: <a href="#">Tax Matters</a></p>
<b>Client substantiation file</b>	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a collection of resources called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a toolbox to help you collate documentation that the auditor will ask for.</p>	<p>On our website under good practice.</p> <p>Link: <a href="#">Client Substantiation File</a></p>
<b>Sensitive expenditure</b>	
<p>The Auditor-General's good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders "setting the tone from the top". It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.</p>	<p>On the Office of the Auditor-General's website under good practice.</p> <p>Link: <a href="#">Sensitive expenditure</a></p>

Description	Where to find it
<b>Conflicts of interest</b>	
<p>The Auditor-General has published guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The material includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General's website under 2019 publications.</p> <p>Link: <a href="#">Conflicts of interest</a></p>
<b>Severance payments</b>	
<p>Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payment to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.</p>	<p>On the Office of the Auditor-General's website under 2019 publications.</p> <p>Link: <a href="#">Severance payments</a></p>
<b>The Auditor-General's report on the results of recent audits</b>	
<p>The Office of the Auditor-General publishes a report on the results of each cycle of annual audits for the sector.</p>	<p>On the Office of the Auditor-General's website under publications.</p> <p>Links: <a href="#">Central Government 2019/20 audits</a></p> <p><a href="#">Tertiaries 2019 audits and what we saw in 2020</a></p> <p><a href="#">Local government 2019/20 audits</a></p> <p><a href="#">DHB 2019/20 audits</a></p> <p><a href="#">Port company 2019/20 audits</a></p>

Description	Where to find it
<b>Good practice</b>	
<p>The Office of the Auditor-General's website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> <li>• discouraging fraud;</li> <li>• good governance;</li> <li>• service performance reporting;</li> <li>• procurement;</li> <li>• sensitive expenditure; and</li> <li>• severance payments.</li> </ul>	<p>On the Office of the Auditor-General's website under good practice.</p> <p>Link: <a href="#">Good practice</a></p>
<b>Procurement</b>	
<p>The Office of the Auditor-General are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the Office of the Auditor-General's website under publications.</p> <p>Links: <a href="#">Strategic suppliers:</a> <a href="#">Understanding and managing the risks of service disruption</a> <a href="#">Getting the best from panels of suppliers</a> <a href="#">Local government procurement</a></p>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<b>Procurement, contract and project management</b>		
<p>To support achieving programmed expenditure, we have identified areas of improvement the City Council should consider. The recommendations are captured broadly under the following headings:</p> <p><b>Use of Government Electronic Tender Service (GETS)</b></p> <p>The City Council identify, for each procurement, what the most appropriate means is to obtain an optimal outcome in terms of approaching potential suppliers.</p> <p><b>Budget management of capital expenditure</b></p> <p>Improve the accuracy of budget phasing, right size the programme of works, refine the calculation and use of contingencies, and the use of “spare” budget.</p> <p><b>Basis for reporting capital expenditure against budget</b></p> <p>The subsequent changes in the timing of projects or variations in cost should be reflected in forecast capital expenditure (capex) rather than adjusting the approved budget figure against which actual spend is compared.</p>	2018-19	<p><b>Some progress</b></p> <p><b>Management comment</b></p>
<b>Carrying value and useful lives of property, plant and equipment – non infrastructural assets</b>		
<p>Management should perform a detailed review of the estimated value of assets at the end of their life as well as the current life cycles of all assets. These should also be reviewed at least annually at reporting date as required by the accounting standards to ensure compliance and prevent any misstatement of assets.</p>	2018-19	<p><b>Some progress</b></p> <p><b>Management comment</b></p>

Recommendation	First raised	Status
<b>Water Charge Data Management System</b>		
Automate the process and investigate system changes to enable historic reporting of the volumes supplied throughout the financial year, and record the volumes charged per rating category.	2016-17	<b>Some progress</b> <b>Management comment</b>
<b>Beneficial</b>		
<b>Financial statements preparation process</b>		
Formalise the processes and procedures for the consolidation process to reduce potential risks, including: <ul style="list-style-type: none"> <li>creating a separate master spreadsheet file where all data is managed and collected; and</li> <li>where possible, consideration be given towards an automated process through consolidation software.</li> </ul>	2017-18	The City Council continues to assess the effectiveness of its processes around this. <b>Management comment</b>

#### Implemented or closed recommendations

Recommendation	First raised	Status
<b>Roading unit costs</b> Compare unit rates used for component costs to recent contracts, to determine that they fairly reflect the components' replacement costs.	<b>2021</b>	<b>Implemented</b> We have confirmed this through the review of the 2022 roading revaluation.
<b>Approval of elected members' expenditure</b> Implement a policy that all the Councillors' sensitive expenditure is signed off by the Mayor and the Mayor's expenditure is signed off by the Deputy Mayor.	<b>2021</b>	<b>Implemented</b> All elected members expenditure is approved by the Mayor and the Mayor's expenditure is signed off by the Deputy Mayor.



## Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit of the audited information and our report on the disclosure requirements, we have performed a limited assurance engagement related to the Council's Debenture Trust deed. Other than these engagements, we have no relationship with, or interests in, the Council or its subsidiaries and controlled entities.</p>
Fees	<p>The audit fee for the year is \$161,955, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$7,000, for the assurance review of the Debenture Trust Deed.</p>
Other relationships	<p>We are not aware of any situations where a spouse, or close relative, of a staff member involved in the audit, occupies a position with the Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council, or its subsidiaries, during or since the end of the financial year.</p>



AUDIT NEW ZEALAND

Mana Arotake Aotearoa

Level 3, 335 Lincoln Road  
PO Box  
Christchurch 8140

[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)

