

Notice of the Ordinary meeting of

Audit, Risk and Finance Committee

Te Kōmiti Kaute / Tūraru / Pūtea

Date:	Friday 24 November 2023
Time:	9.00a.m.
Location:	Council Chamber Floor 2A, Civic House 110 Trafalgar Street, Nelson

Agenda

Rārangi take

Chairperson

Ms Catherine Taylor

Members

His Worship the Mayor Nick Smith

Cr Rohan O'Neill-Stevens

Cr Mel Courtney

Cr Rachel Sanson

Mr Lindsay McKenzie

Quorum 3

**Nigel Philpott
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.

Karakia and Mihi Timatanga

1. Apologies

An apology has been received from Mr L McKenzie

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. Confirmation of Minutes

5.1 15 September 2023

7 - 16

Document number M20285

Recommendation

That the Audit, Risk and Finance Committee

- 1. Confirms the minutes of the meeting of the Audit, Risk and Finance Committee, held on 15 September 2023, as a true and correct record.***

6. Audit NZ - Audit Engagement Letter for the Long Term Plan 2024-2034

17 - 18

Document number R28035

Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Audit NZ - Audit Engagement Letter for the Long Term Plan 2024-2034 (R28035) and its Attachment (to be tabled); and***

2. ***Notes the Audit, Risk and Finance Committee can provide feedback on the Audit Engagement Letter to Audit NZ if required and that the Mayor will sign the letter once the Committee's feedback (if any) has been incorporated.***

7. Quarterly Internal Audit Report - 30 Sept 2023 19 - 20

Document number R28053

Recommendation

That the Audit, Risk and Finance Committee

1. ***Receives the report Quarterly Internal Audit Report - 30 Sept 2023 (R28053).***

8. Quarterly Risk Report - 30 Sept 2023 21 - 46

Document number R28049

Recommendation

That the Audit, Risk and Finance Committee

1. ***Receives the report Quarterly Risk Report - 30 Sept 2023 (R28049) and its attachment (1759736513).***

9. Privacy Act 2020 - Reporting 47 - 48

Document number R28111

Recommendation

That the Audit, Risk and Finance Committee

1. ***Receives the report Privacy Act 2020 - Reporting (R28111).***

10. Quarterly Finance Report to 30 September 2023 49 - 71

Document number R28129

Recommendation

That the Audit, Risk and Finance Committee

1. ***Receives the report Quarterly Finance Report to 30 September 2023 (R28129) and its Attachments (1857728953-1257, 839498445-17924 and 839498445-17948).***

CONFIDENTIAL BUSINESS

11. 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)
1	Audit, Risk and Finance Committee Meeting - Confidential Minutes - 15 September 2023	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"> • Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person • Section 7(2)(c)(ii) To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
			<ul style="list-style-type: none"> Section 7(2)(g) To maintain legal professional privilege
2	Health, Safety and Wellbeing Report to 30 September 2023	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"> Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person
3	Quarterly Report on Legal Proceedings	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"> Section 7(2)(g) To maintain legal professional privilege
4	Quarterly Update on Debts - 30 September 2023	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"> Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person
5	Organisational Risk - Deep Dives	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"> Section 7(2)(j) To prevent the disclosure or use of official information for improper gain or improper advantage

Karakia Whakamutanga



**Minutes of a meeting of the
Audit, Risk and Finance Committee
*Te Kōmiti Kaute / Tūraru / Pūtea***

Held in the Council Chamber, Floor 2A, Civic House, 110 Trafalgar Street, Nelson on Friday 15 September 2023, commencing at 9.06a.m.

Present: Ms C Taylor (Chairperson), His Worship the Mayor N Smith, Councillors R O'Neill-Stevens and M Courtney and Independent Member L McKenzie

In Attendance: Chief Executive (N Philpott), Group Manager Corporate Services (N Harrison), Deputy Chief Executive/Group Manager Infrastructure (A Louverdis), Group Manager Strategy and Communications (N McDonald), Group Manager Environmental Management (M Bishop), Governance Adviser (K Libeau) and Assistant Governance Adviser (M Taylor).

Apology: An apology has been received from Councillor R Sanson

Karakia and Mihi Timatanga

1. Apologies

Resolved ARF/2023/028

That the Audit, Risk and Finance Committee

1. Receives and accepts an apology from Councillor R Sanson.

His Worship the Mayor/Courtney

Carried

2. Confirmation of Order of Business

There were no changes to the order of business.

3. Interests

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

4. Public Forum

There was no public forum.

5. Confirmation of Minutes

5.1 1 June 2023

Document number M20175, agenda pages 9 - 17 refer.

Resolved ARF/2023/029

That the Audit, Risk and Finance Committee

- 1. Confirms the minutes of the meeting of the Audit, Risk and Finance Committee, held on 1 June 2023, as a true and correct record.***

His Worship the Mayor/O'Neill-Stevens

Carried

6. Audit New Zealand: Audit Letters

Document number R27895, agenda pages 18 - 68 refer.

John Mackey, from Audit New Zealand, briefed the Committee on Audit New Zealand's engagement letter and the Audit Plan. He advised that technical issues that arose regarding the Elma Turner Library, Civic House and the Tāhunanui beach clean-up were being considered.

Concerns were raised about the level of costs associated with the audit and a letter would be sent to Audit New Zealand on behalf of the Council, advising of the concerns with the increase in fees.

Resolved ARF/2023/030

That the Audit, Risk and Finance Committee

- 1. Receives the report Audit New Zealand: Audit Letters (R27895) and its attachments (2126778665-306, 2126778665-305 and 2126778665-312); and***
- 2. Notes that following feedback from the Audit, Risk and Finance Committee, His Worship the Mayor Hon Dr Smith will sign the Audit Engagement Letter to Audit NZ; and***
- 3. Notes the Committee can provide feedback on the Audit Proposal Letter to Audit New Zealand if required, noting His Worship the Mayor Hon Dr Smith will sign the letter once the Committee's feedback has been incorporated.***

Courtney/McKenzie

Carried

7. Quarterly Finance Report to 30 June 2023

Document number R27698, agenda pages 69 - 90 refer.

Manager Finance, Prabath Jayawardana, took the report as read and answered questions on the lives of assets and the residual values, the treasury summary and the net debt figures. Group Manager Strategy and Communications, Nicky McDonald and Group Manager Infrastructure, Alec Louverdis, answered questions on the performance measures used to measure achievement across the organisation. Group Manager Environmental Management, Mandy Bishop, advised that a new metric of "substantially achieved" had been added in the regulatory space in the next Long Term Plan.

Resolved ARF/2023/031

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Finance Report to 30 June 2023 (R27698) and its attachments (1857728953-1036, 839498445-17283, and 839498445-17269).***

O'Neill-Stevens/Courtney

Carried

8. Quarterly Internal Audit Report - 30 June 2023

Document number R27678, agenda pages 91 - 96 refer.

Audit and Risk Analyst, Chris Logan, took the report as read noting that at the Council meeting a day prior, Council had adopted a range of policies in the harbour safety management system and was now compliant with the code.

Mr Logan also noted that there were some recommendations regarding the International Accreditation New Zealand (IANZ) audit and advised there were non-compliant findings in the Building Consent Authority (BCA) that would be remedied. Mr Logan advised the Building Team were confident 18 out of the 19 IANZ recommendations would be resolved by the 9 October deadline and one would be remaining for which they would likely request an extension in order to complete the work.

Mr Logan answered a question on the audit of workplace stress, advising that whilst the internal audit touched on councillors' workplace stress as well as Council employee workplace stress, due to the relationship between councillors and the workplace the audit recommendations were not enforceable and were only suggestions. Mr Logan advised that paragraph three of the workplace stress findings would be re-worded to ensure it was clear the recommendations being un-enforceable only applied to the recommendations pertaining to councillors and not those pertaining to staff.

Resolved ARF/2023/032

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Internal Audit Report - 30 June 2023 (R27678) and its attachment (1194974384-3470).***

McKenzie/His Worship the Mayor

Carried

9. Quarterly Risk Report - 30 June 2023

Document number R27679, agenda pages 97 - 124 refer.

Audit and Risk Analyst, Chris Logan, took the report as read.

Chief Executive, Nigel Philpott, answered questions on workplace stress and the current workloads on staff. He also answered questions on members of the community that were reluctant to engage with Council and follow Council processes.

Group Manager Corporate Services, Nikki Harrison, answered questions on IT security within Council, the Beecard system and other Council systems that sit outside the organisation and how risks were evaluated for these systems.

Health Safety and Wellness Adviser, Malcolm Hughes, answered questions about Chamber security and the processes and the risks associated with Council meetings along with future management of risks.

Resolved ARF/2023/033

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Risk Report - 30 June 2023 (R27679) and its attachment (1759736513).***

His Worship the Mayor/O'Neill-Stevens

Carried

10. Annual Tax Update

Document number R27574, agenda pages 125 - 139 refer.

Manager Finance, Prabath Jayawardana, presented the report and it was taken as read.

Resolved ARF/2023/034

That the Audit, Risk and Finance Committee

1. ***Receives the report Annual Tax Update (R27574) and its attachment (2130083480-450).***

His Worship the Mayor/Courtney

Carried

11. Carry Forwards 2022/23

Document number R27806, agenda pages 140 - 149 refer.

Management Accountant, Alistair Roper, and Group Manager Corporate Services, Nikki Harrison, took the report as read and answered questions on the impact of the August 2022 flood event on the carry forward figures, the split between OPEX and CAPEX in the flood recovery work costs and the budget review process as part of the 2023/24 Annual Plan.

Group Manager Infrastructure, Alec Louverdis, answered questions on monitoring and reporting mechanisms for projects.

Resolved ARF/2023/035

That the Audit, Risk and Finance Committee

1. ***Receives the report Carry Forwards 2022/23 (R27806) and its attachments (332184083-4933 and 332184083-4932).***

McKenzie/O'Neill-Stevens

Carried

Recommendation to Council ARF/2023/036

That the Council

1. ***Approves the carry forward of \$8.2 million–\$8.1 million to 2023/24 and \$143,000 to 2024/25; and***
2. ***Notes that this is in addition to the carry forward of \$21.9 million approved during the Annual Plan 2023/24 process, taking the total carry forward to \$30.1 million of which \$27 million is for the 2023/24 year and \$3.1 million is for the 2024/25 year; and***
3. ***Notes the total savings and reallocations in 2022/23 capital expenditure of \$2.6 million; and***
4. ***Notes that the total 2023/24 capital budget (including staff costs and work on attending to the slips originating on Council land and excluding consolidations, vested assets, scope adjustment and other August 2022 flood recovery budgets) will be adjusted by these resolutions from a total of \$85.7 million to a total of \$93.7 million; and***

5. Approves the carry forward of \$447,000 unspent operating budget to 2023/24.

McKenzie/O'Neill-Stevens

Carried

The meeting adjourned from 10:53a.m. until 11:04a.m.

12. Draft Annual Report 2022/23

Document number R27872, agenda pages 150 - 342 refer.

Group Manager Strategy and Communications, Nicky McDonald, took the report as read and noted corrections to the report, confirming that in 5.20 of the report it should have stated seven measures were not achieved and five were not measured.

Ms McDonald answered questions on the order of items within the Annual Report 2022/23 and on how the Affordable Waters Reform was presented.

The officer's recommendation was amended to confirm support of the draft Annual Report to be presented to Council.

Resolved ARF/2023/037

That the Audit, Risk and Finance Committee

- 1. Receives the report Draft Annual Report 2022/23 (R27872) and its attachment (839498445-17289); and***
- 2. Notes the draft Annual Report 2022/23 has been prepared and will be audited before being presented to Council for adoption following audit, prior to the 31 October 2023 statutory deadline.***
- 3. Confirms to Council that the Audit, Risk and Finance Committee has reviewed the Draft Annual Report 2022/23 (839498445-17289) and the audit process and is satisfied that the Annual Report is on track for Council adoption prior to 31 October 2023.***

His Worship the Mayor/Courtney

Carried

13. Review of Health and Safety Governance Charter

Document number R27905, agenda pages 343 - 354 refer.

Health Safety and Wellness Adviser, Malcolm Hughes, took the report as read and answered questions on risks and incidents pertaining to contractors, identification of negative Health and Safety trends, and the

regular Health, Safety and Wellness reporting within the organisation, including monthly reporting directly to the Senior Leadership Team.

Resolved ARF/2023/038

That the Audit, Risk and Finance Committee

- 1. Receives the report Review of Health and Safety Governance Charter (R27905) and its attachment (855153265-4133).***

Courtney/O'Neill-Stevens

Carried

Recommendation to Council ARF/2023/039

That the Council

- 1. Approves the revised Health and Safety Governance Charter (855153265-4133).***

Courtney/O'Neill-Stevens

Carried

14. Organisational Risk - Deep Dive

Document number R27837, agenda pages 355 - 355 refer.

Group Manager Infrastructure, Alec Louverdis, presented on the loss of service performance from ineffective contracts and contract management. He answered questions on vacancies and recruitment processes within the infrastructure team and management of the risks of project delivery generally.

Resolved ARF/2023/040

That the Audit, Risk and Finance Committee

- 1. Receives the report Organisational Risk - Deep Dive (R27837).***

Taylor/O'Neill-Stevens

Carried

15. Exclusion of the Public

Resolved ARF/2023/041

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:

His Worship the Mayor/Courtney

Carried

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
1	Audit, Risk and Finance Committee Meeting - Confidential Minutes - 1 June 2023	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"> Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person Section 7(2)(j) To prevent the disclosure or use of official information for improper gain or improper advantage Section 7(2)(g) To maintain legal professional privilege
2	Health, Safety and Wellbeing Report to 30 June 2023	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"> Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person
3	Quarterly Report on Legal Proceedings	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"> Section 7(2)(c)(ii) To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
			under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest <ul style="list-style-type: none"> • Section 7(2)(g) To maintain legal professional privilege
4	Quarterly Update on Debts - 30 June 2023	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"> • Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person
5	Bad Debts Write-Off - Year ending 30 June 2023	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"> • Section 7(2)(a) To protect the privacy of natural persons, including that of a deceased person

The meeting went into confidential session at 12:04p.m. and resumed in public session at 12:19p.m.

Karakia Whakamutanga

16. Restatements

It was resolved while the public was excluded:

1 Health, Safety and Wellbeing Report to 30 June 2023

2. Agrees that the report (R27904) and attachment (855153265-3535) remain confidential at this time.

2 Quarterly Report on Legal Proceedings

2. Agrees that report (R27874) and its attachment (142319133-460) remain confidential at this time.

3 Quarterly Update on Debts - 30 June 2023

2. Agrees that the Report and its attachment (1857728953-1032) remain confidential at this time.

4 Bad Debts Write-Off - Year ending 30 June 2023

2. Agrees that the Report remain confidential at this time.

There being no further business the meeting ended at 12:20p.m.

Confirmed as a correct record of proceedings by resolution on (date)

Resolved

Report Title: **Audit NZ - Audit Engagement Letter for the Long
Term Plan 2024-2034**

Report Author: **Susan Coleman - Acting Manager Strategy**

Report Authoriser: **Nikki Harrison - Group Manager Corporate Services**

Report Number: **R28035**

1. Purpose of Report

- 1.1 To provide the Committee with the Audit Engagement Letter for the audit of the consultation document and the Long Term Plan 2024-2034 and ask for any feedback before the letter is signed by the Mayor.
- 1.2 The letter will be tabled at the meeting.

2. Recommendation

That the Audit, Risk and Finance Committee

1. ***Receives the report Audit NZ - Audit Engagement Letter for the Long Term Plan 2024-2034 (R28035) and its Attachment (to be tabled); and***
2. ***Notes the Audit, Risk and Finance Committee can provide feedback on the Audit Engagement Letter to Audit NZ if required and that the Mayor will sign the letter once the Committee's feedback (if any) has been incorporated.***

3. Background

- 3.1 The Audit Engagement Letter relates to the audit of the Long Term Plan (LTP) 2024-2034 and the consultation document.
- 3.2 The letter sets out the terms of the audit engagement and the respective responsibilities of Council and Audit New Zealand. The letter also outlines the audit scope and objectives, the approach taken to complete the audit, the areas of audit emphasis, the audit logistics and the professional fees.

Item 6: Audit NZ - Audit Engagement Letter for the Long Term Plan 2024-2034

- 3.3 Audit NZ has advised that during the LTP audit there will be a particular focus on:
 - 3.3.1 The impact of legislated and planned sector changes on Council's forecasts
 - 3.3.2 Financial and Infrastructure strategies
 - 3.3.3 Significant forecasting assumptions
 - 3.3.4 Climate change assumptions
 - 3.3.5 The quality of asset-related forecasting information.
- 3.4 The letter is to be signed by the Mayor to confirm the details of the audit match Council's understanding of the arrangements.
- 3.5 Committee members have the opportunity to provide feedback for Audit NZ prior to the letter being signed.

4. Conclusion

- 4.1 The Audit Engagement Letter sets out the terms of the audit for the Long Term Plan 2024-2034. Committee members can provide feedback for Audit NZ prior to the letter being signed.

Attachments

Nil

Report Title: Quarterly Internal Audit Report - 30 Sept 2023
Report Author: Chris Logan - Audit and Risk Analyst
Report Authoriser: Nikki Harrison - Group Manager Corporate Services
Report Number: R28053

1. Purpose of Report

- 1.1 To update the Audit, Risk and Finance Committee on the internal audit activity through to the end of the first quarter of 2023/24.

2. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report *Quarterly Internal Audit Report - 30 Sept 2023 (R28053)*.**

3. Background

- 3.1 Under Council's Internal Audit Charter, the Audit, Risk and Finance Committee requires a periodic update on the progress of internal audit activities. The 2023-24 Internal Audit Plan (the Plan) was approved by the Council on 8 June 2022.

4. Overview of Progress on the 2023/24 Internal Audit Plan

- 4.1 There has been no progress on the 2023/24 Internal Audit Plan:
- 4.1.1 **Implementation of Vertical Construction external review** deferred until significant Vertical Construction planned.
- 4.1.2 **Annual fraud and conflict of interest testing** work will commence in earnest in November in order to fit with business unit availability.
- 4.1.3 **Roading network maintenance & resurfacing contract management** and **Records Management compliance following NTEM IT improvement project** remain scheduled for 2H24

Item 7: Quarterly Internal Audit Report - 30 Sept 2023

4.1.4 Two ad-hoc audit topics yet to be agreed upon.

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

- 5.1 The annual ALGIM audit/review of Council's cyber security commenced October 2023. A verbal update on the status of the audit will be provided at the meeting.
- 5.2 Taumata Arowai completed an on-site review of Council's updated Water Safety Plan. A verbal update on the status of the review will be provided at the meeting.
- 5.3 A verbal update on the status of the International Accreditation New Zealand's (IANZ's) Building Consent Authority (BCA) two-yearly audit will be provided at the meeting. Final clearance of General Non-Compliance's is 23rd October 2023 unless an extension is granted.

6. Status of Outstanding Significant Risk Exposures and Control Issues Identified from Internal Audits

- 6.1 **Staff cannot currently perform advanced searches** – NDocs Improvements Business Case approved. The majority of benefits, including advanced search, are expected by the end of 2023-24.
- 6.2 **Staff are finding it difficult to find NCC internal policies** – Work has commenced on implementing this recommendation.

Attachments

Nil

Report Title: Quarterly Risk Report - 30 Sept 2023
Report Author: Chris Logan - Audit and Risk Analyst
Report Authoriser: Nikki Harrison - Group Manager Corporate Services
Report Number: R28049

1. Purpose of Report

- 1.1 To provide information to the Audit, Risk and Finance Committee on the organisational risks through to the end of the first quarter of 2023/24.

2. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Risk Report - 30 Sept 2023 (R28049) and its Attachment (1759736513).***

3. Background

- 3.1 This report describes key risk areas, divided by risk theme organisational risks) and reporting Group.

4. Key Risk Areas by Theme (Organisational Risks)

- 4.1 Risks relating to Council and joint operations are monitored via Council's risk register. Approximately 30% of risk entries by count have been identified as having a common theme or cause which create risk concentrations that pose a threat at an organisational level. These organisational risks are described below.
- 4.2 There were no underlying changes in organisational risks. The risk matrix was recoloured during the quarter, to better reflect risk (see Appendix 1 of bottom of the attached). The recolouring resulted in *R5 - Compromise of Council service delivery from information technology failures*, being re-rated to Medium (previously Low).

Item 8: Quarterly Risk Report - 30 Sept 2023

- 4.3 **R1 - Central-government-led-reforms** (Owner: Chief Executive). Whilst noting that project management is in place to manage organisational changes within the Affordable Waters transition programme both at the elected member and staff level, the risk rating remains at Very High.
- 4.4 **R2 - Lifeline services failure** (Owner: Group Manager Infrastructure). Flood-recovery work is ongoing, with consultancy capacity constraints, especially geotechnical engineers. No other new emerging risks to report at this time. The risk rating remains at Medium.
- 4.5 **R3 - Illness, injury or stress from higher hazard work situations** (Owner: Group Manager Corporate Services). No new emerging risks to report at this time. Minor changes in reporting format to improve alignment with the Health, Safety and Wellbeing Report. The risk rating remains at High.
- 4.6 **R4 - Loss of service performance from ineffective contracts and contract management** (Owner: Chief Executive). An internal review of organisational contract management is underway. The risk rating remains at Medium.
- 4.7 **R5 - Compromise of Council service delivery from information technology failures** (Owner: Group Manager Corporate Services). No new emerging risks to report. The risk rating remains at Low.
- 4.8 **R6 - Council work compromised by loss of and difficulties in replacing skilled staff** (Owner: Manager People and Capability). 'Hard-to-fill' roles remaining open despite repeated recruitment efforts, engaging recruitment consultants, and re-evaluating the job description. The situation is not expected to change soon with turnover at the Business Unit Manager level. The organisational risk rating remains at Medium.
- 4.9 **R7 - Legal Risk** (Owner: Group Manager Strategy and Communications). No 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.
- 4.10 **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.

5. Key Risk Areas by Reporting Group

- 5.1 Council's risk register does not contain specific asset, activity, legal matter, or project risks. Instead, these are rolled up into more general asset, activity, legal or project risks. Any significant specific risks which are new or emerging are summarised below by reporting group.
- 5.2 **Office of the Chief Executive:** No new emerging risks to report at this time.

Item 8: Quarterly Risk Report - 30 Sept 2023

- 5.3 **Infrastructure Group:** Risk is High due to recovery constraints and staff shortages. Target reduction in expenditure is expected to increase risks associated with work programmes.
- 5.4 **Community Services Group:**
- 5.4.1 Risks associated with Council-owned campgrounds (two operated and one leased) remain elevated whilst non-compliance remediation actions are being implemented. The risks previously monitored by elected members through the Strategic Development and Property Subcommittee have been monitored through the usual organisational processes since that subcommittee ceased at the end of the last triennium.
- 5.4.2 Risks associated with wood processing waste deposited at Tāhunanui Beach in the 1960s/1970s are under investigation, with mitigation options to be brought to Council for consideration later in the year.
- 5.5 **Environmental Management Group:** Risk is High due to senior vacancies. Risk relates to delivery, workload stress and ability to recruit.
- 5.6 **Strategy and Communications Group:** Retention and recruitment continue to be a challenge in certain teams.
- 5.7 **Corporate Services Group:** Project to optimise insurance is underway. The project may result in increased financial risk.

Attachments

Attachment 1: 1759736513 - 1Q24 key organisational risks for ARF [↓](#)

Council Risk Profile - Key Organisational Risks: Quarter One 2023-24

Overview

The purpose of this document

This document provides a profile of the key risk themes (organisational risks) which the Council faces at the overall organisation level. Being a subset of the risk register, organisational risks cover relevant risks relating to council and joint operations. Relevant risks relating to subsidiaries and joint ventures are limited to ownership risks.

Risks not in this report:

Some risks, which are in the risk register but do not fit the list of risk themes, are not captured in this report. Further, this report does not provide an update on risks to the organisation's overall expenditure programme, as these are adequately reported on in other more detailed reports regularly provided to the Audit, Risk and Finance Sub-committee.

Risk Profile

The following pages (one for each key risk area) set out:

- A summary of the nature of each organisational risk including the relevant part of the Council's objectives, the underlying risks measured using the Council's risk criteria – the green box on each page. The risk rating is based on the highest underlying risk rating.
- The assigned risk owner and the last update to the information for the risk theme
- A diagrammatic representation of the current estimated level of residual risk (i.e., after considering controls), an indication of any risk movement over the reported quarter, and the intended effect of treatments or further actions to manage (usually reduce) risk levels - the pale blue box on the top right of each page
- A description of actions in place (controls – grey box) or proposed (treatments – yellow box) to manage the risk including the intended effects of, likely timeframe and accountabilities for each action.

Report Title:	Privacy Act 2020 - Reporting
Report Author:	Devorah Nicuarta-Smith - Manager Governance and Support Services
Report Authoriser:	Nicky McDonald - Group Manager Strategy and Communications
Report Number:	R28111

1. Purpose of Report

- 1.1 To provide a 6 monthly update on actions underway to monitor and manage privacy related matters following the coming into force of the Privacy Act 2020.

2. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Privacy Act 2020 - Reporting (R28111).***

3. Systems and Controls

Privacy Policy and breach management planning

- 3.1 Council's Privacy Policy and breach management plan has been circulated for awareness following its adoption.
- 3.2 The associated compliance register has been updated with information on investigations from 2019 onwards and any actions or recommendations for future improvements.
- 3.3 Work is underway to include privacy related clauses in all Council contract templates, the first step in a larger project to ensure all contractors are clear on their responsibilities in relation to personal information held on behalf of Council, and requirements should any issues rise. Future agreements will also have the Privacy Policy and breach management plan attached as a schedule.

Privacy Statements

- 3.4 Further privacy statements have been updated and drafted to provide increased transparency to the public around Council's collection, use and storage of personal information. These include statements related to all stages of the resource consent process, largely with a focus on ensuring it is clear that all information provided in an application is public, will be provided on request and may be circulated to relevant parties if the consent is notified.

4. Compliance investigations

- 4.1 High level updates in relation to compliance matters and any ensuing recommendations are outlined in the attached compliance register.

5. Training and advice

- 5.1 Staff were provided the opportunity to attend a webinar on privacy fundamentals led by DLA Piper.

6. Conclusion

- 6.1 Both proactive and responsive actions continue within the privacy space.
- 6.2 The importance of the privacy work programme has been recognised with some provision for extra support being proposed in the draft LTP.

Attachments

Nil

Report Title: Quarterly Finance Report to 30 September 2023
Report Author: Prabath Jayawardana - Manager Finance
Report Authoriser: Nikki Harrison - Group Manager Corporate Services
Report Number: R28129

1. Purpose of Report

- 1.1 To inform the Committee of the financial results for Council for three months ended 30 September 2023, and to highlight any material variations.

2. Recommendation

That the Audit, Risk and Finance Committee

- 1. Receives the report Quarterly Finance Report to 30 September 2023 (R28129) and its Attachments (1857728953-1257, 839498445-17924 and 839498445-17948).***

3. Background

- 3.1 The whole of Council financial reporting provided to this Committee focuses on the three-month performance (1 July 2023 to 30 September 2023) compared with the the year-to-date (YTD) approved capital and operating expenditure 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 2023/24, 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 +/- \$500,000.

Item 10: Quarterly Finance Report to 30 September 2023

4. Financial Performance

4.1 For the three months ending 30 September 2023, the Council's draft deficit is \$8.1m against a budgeted deficit of \$5.0m (\$3.1m unfavourable to budget), mainly due to reasons explained below.

4.2 Profit and Loss

NELSON CITY COUNCIL EXTERNAL FINANCIAL REPORTING FOR 2023/24 - Sep 2023							
Figures are shown in thousands (\$'000)	Year to Date Sep 2023				Full Year		
	Actuals	Operating Budget	Variance \$	Variance %	Operating Budget	Annual Plan	Op Budget vs. AP
Revenue							
Rates other than metered water, net of remissions	20,849	20,896	(47)	0%	84,383	84,383	0
Subsidies and grants	5,808	5,879	(71)	-1%	30,413	33,674	(3,261)
Fees and charges including metered water	5,341	6,164	(823)	-13%	29,299	29,299	0
Other revenue	1,550	1,547	4	0%	17,845	17,845	0
Development/financial contributions	575	1,342	(768)	-57%	3,828	3,828	0
Interest received	445	299	146	49%	1,195	1,195	0
Other gains/losses	- 34	410	- 444	-108%	- 1,511	1,511	(0)
Total revenue	34,533	36,536	(2,003)	-5%	165,453	168,713	(3,261)
Expenses							
Personnel costs	8,550	8,678	128	1%	34,712	34,588	124
Finance Costs	2,319	1,870	(449)	-24%	7,480	7,480	0
Depreciation and amortisation	9,997	9,597	(400)	-4%	38,390	38,390	0
Weather Event	1,353	844	(509)	-60%	2,832	2,832	0
Other expenses	20,457	20,570	113	1%	79,316	79,205	111
Total expenses	42,676	41,560	(1,116)	-3%	162,730	162,495	235
Net surplus/(deficit)	(8,142)	(5,024)	3,119	-62%	2,722	6,219	(3,496)
Capital Expenditure - excluding vested	19,745	17,640	2,104	12%	76,807	69,508	7,298

4.3 Operating Budget vs. Annual Plan Budget

4.4 **The Full Year Operating Budget is less than the Annual Plan Budget by \$3,500,000.** This is mainly due to a \$3.6m reduction in Transport Choices Revenue (under subsidies and grants), due to a reduction in the government grant. This has not impacted operating expenses above, as this grant income is capital in nature.

4.5 Revenue

4.6 **Rates income is in-line with budget.**

4.7 **Fees and Charges income is less than budget by \$823,000.** There are large number of revenue sources that made up this variance but none of them has a variance greater than \$0.5m.

4.8 **Other revenue is in line with budget.** There are no significant variances greater than \$0.5m.

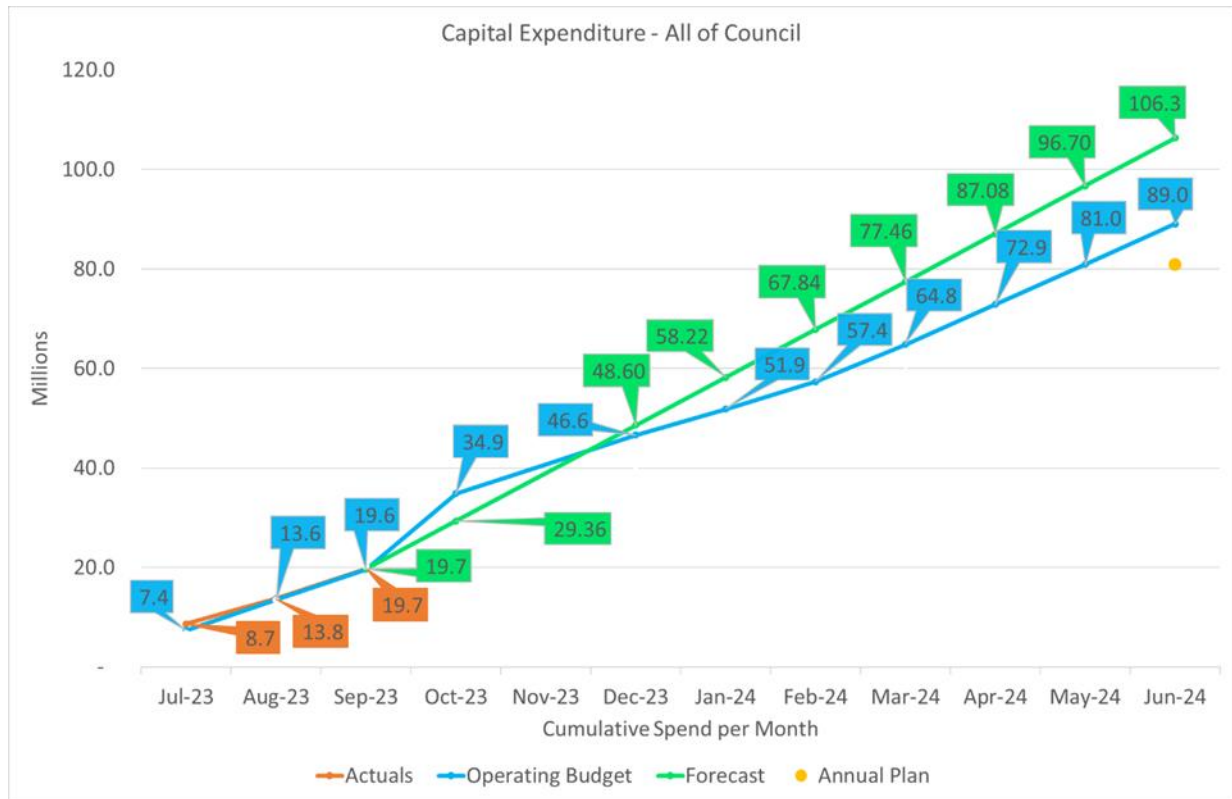
4.9 **Development Contributions is less than budget by \$768,000.** This is due to less development activity than budgeted for.

Item 10: Quarterly Finance Report to 30 September 2023

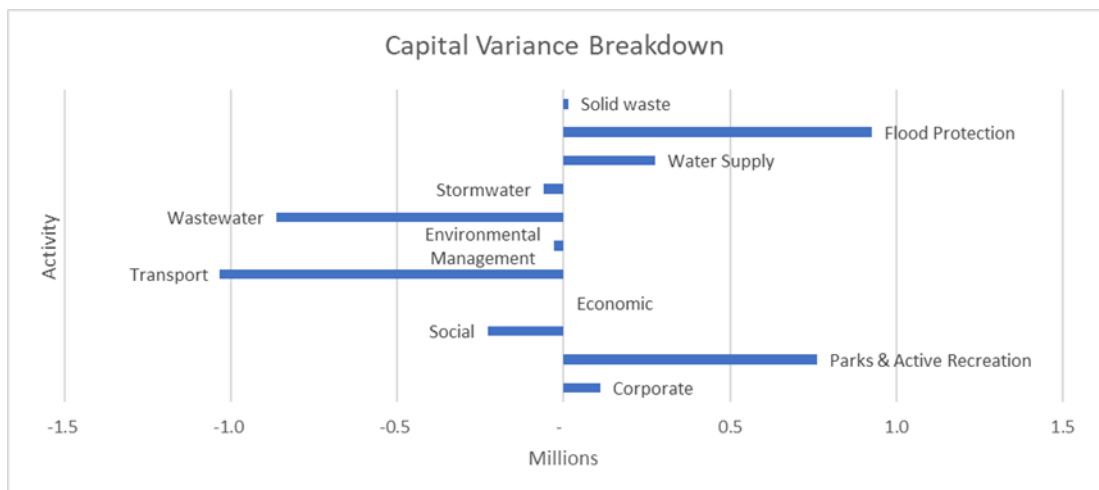
- 4.10 **Finance Revenue is greater than budget by \$146,000.** This is due to more funds being invested than planned because of pre-funding of debt.
- 4.11 **Other gains/(losses) is less than budget by \$444,000.** This relates to the forestry activity, with net income being less than budget due to delays in harvesting at Marsden Forest.
- 4.12 **Expenses**
- 4.13 **Personnel costs are less than budget by \$128,000.**
- 4.14 **Depreciation and amortisation costs are greater than budget by \$400,000.** Depreciation has been based on the 2022/23 asset valuations, in which we saw large increases. This resulted in a higher depreciation expense than planned. It is noted that the depreciation in this report is based on draft infrastructure valuations and a more accurate depreciation figure will be available in the second quarter finance reports.
- 4.15 **Finance costs are greater than budget by \$449,000.** This increase in interest costs is due to a) additional pre-funding of debt (which is offset by the \$0.1m over variance in finance revenue), and b) \$0.3m increase in interest costs due to both higher interest rates and borrowings than planned for the 3-months ended 30 September 2023.
- 4.16 **Weather Event costs are greater than budget by \$509,000.** This is mainly due to unprogrammed works done on Walkways and subsidized roading which is a phasing issue.
- 4.17 **Other expenses are less than budget by \$113,000.** Significant variances are as follows:
- 4.17.1 **Insurance is greater than budget by \$0.7m.** This is because of increases in premiums due to a) increases in asset values, and b) higher premium rates.
- 4.17.2 **Public Transport Minor Improvements is less than budget by \$0.5m** due to delays in the timings of this expenditure.
- 4.17.3 All other variances in other expenses are below \$0.5m.

5. Capital Expenditure

5.1 Capital Expenditure (including staff time, excluding vested assets and joint operations)



5.2 As at 30 September 2023, capital expenditure was \$19.7m which is \$0.1m over the YTD Operating Budget of \$19.6m. The main contributors to the variance were Transport (\$1.0m), and Wastewater (\$0.9m), which was offset by Flood Protection (\$0.9m) and Parks & Recreation (\$0.8m).



Item 10: Quarterly Finance Report to 30 September 2023

6. Cash Flow Management

6.1 Net Debt

	Dec Quarter Actuals	Mar Quarter Actuals	Jun Quarter Actuals	Sep Quarter Actuals
Opening Net Debt	(125,601,278)	(144,260,841)	(150,958,067)	(168,845,364)
Cash Movement	845,060	2,328,766	(13,397,297)	(1,126,957)
Debt Movement	(19,504,623)	(9,025,991)	(4,490,000)	(24,224,842)
Closing Net Debt	(144,260,841)	(150,958,067)	(168,845,364)	(194,197,163)
Debt/Revenue Ratio	95%	104%	122%	135%
Borrowing Compliance with Covenants (<150%)	Yes	Yes	Yes	Yes

6.2 As at 30 September 2023, there was a net debt of \$194.2m. This has increased from 30 June 2023 by \$25.4m. The full-year Annual Plan budget is \$207.9m. This leaves \$13.7m of headroom as at 30 September 2023.

6.3 This \$25.4m increase in net debt from 30 June 2023 is due to: a) to fund the August 2022 weather event (\$1.4m expenditure), b) to fund capital expenditure during the year (\$10.1m net of funded depreciation), c) to fund \$1.0m advance to Nelson Tasman Regional Landfill Business Unit (NTRLBU), and e) drawdown of Housing NZ funds of \$2.5m. The balance is due to timing of cash inflows and outflows being different than planned.

6.4 Attachment 1 (1857728953-1257) includes the statement of financial position (Balance sheet), Debtors graph and compliance with the Treasury policy as at 30 September 2023.

6.5 The net debt figure in the treasury compliance report (Attachment 1) is different from above 6.2 mainly due to LGFA borrowing notes not being included in the PWC tool.

7. Rates Aging

7.1 Over the last twelve months officers have seen outstanding rates balances increasing slightly which highlights the cost of living and interest rate increases impacting on the community. Officers are working hard to get ratepayers on to payment plans.

7.2 Total rates outstanding as at 30 September 2023 were \$969,855. Below are the rates outstanding at the end of each rating quarter.

Total Rates Outstanding

Month	2023/24	2022/23	2021/22	2019/20	2018/19
Sep-23	969,855	997,122	665,090	660,983	646,839
Dec-23		815,028	637,611	550,873	510,313
Mar-24		858,820	728,270	548,763	572,137
Jun-24		689,021	732,112	513,157	504,423

8. Insurance Renewal

8.1 Nelson City Council primary insurance broker is Marsh Limited, which places the following insurance policies:

- Material Damage – commercial, residential and collections
- Business Interruption – primarily Marina revenue
- Public and Professional Indemnity
- Motor Vehicle
- Crime, Statutory, Environmental and Employers Liability
- Harbour Masters and Wreck Removal Liability
- Hall Hirers Liability
- Personal Accident

8.2 Highlights of the 1 July 2023 Marsh placed insurance include:

- Nelson City Council’s premium increased from \$1.6M to \$2.3M primarily due to increased asset values and higher premium rates.
- Harbour Masters and Wreck Removal Liability limits were increased to \$50M (previously \$25M and \$30M respectively).
- Material Damage & Business Interruption limit was capped at \$1 billion and the basic and flood excess increased to \$100K and \$500K respectively (previously \$10K).

8.3 Nelson City Council secondary insurance broker is Aon New Zealand Limited which places insurance for below ground essential infrastructure assets include sewerage, water supply, storm water and landfill gas.

8.4 Nelson City Council’s premium, from Aon placed insurance, is yet to be confirmed but is expected to increase from \$1.2M to \$1.7M primarily due to increased asset values and higher premium rates

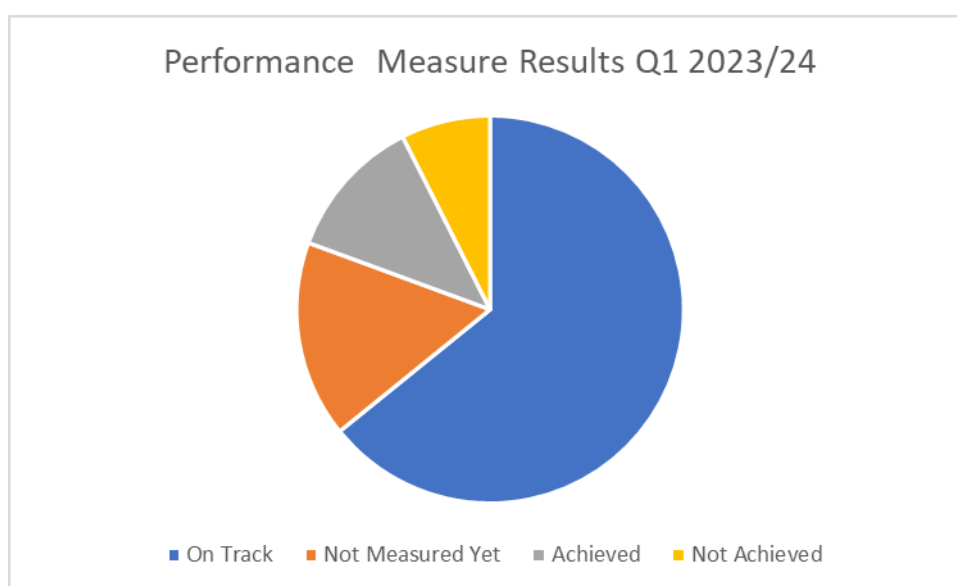
8.5 Further information of how Council officers are responding to these plus upcoming insurance headwinds will be described in the Risk Deep Dive report.

9. Project Health

- 9.1 A table summarising the health of projects across Council has been generated and is included as attachment 2 (839498445 – 17924). It gives a red, amber or green rating for quality, time and budget factors.
- 9.2 The majority of the orange and red are as a result of delays due to weather events in August 2022 and May 2023, the impact of COVID 19 and supply chain delays in material and equipment from overseas.
- 9.3 Projects on hold indicate projects that require further workshops or discussion.

10. Performance Measures

- 10.1 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/achieved/not achieved'.
- 10.2 Of the 67 measures, 43 are currently on track, 11 are not measured yet, 8 are achieved, 5 are not achieved.



- 10.3 Attachment 3 (839498445-17948) details Council's performance measure results so far across all its activities.

Attachments

- Attachment 1: 1857728953-1257 - Finance Attachment Q1 Reporting September 2023 [↓](#)
- Attachment 2: 839498445-17924 - Health Summary - Quarterly Report [↓](#)
- Attachment 3: 839498445-17948 - Performance Measures 2023 2024 [↓](#)

