

## Audit and Risk Subcommittee Minutes

Meeting held in the Council Chamber  
36 Water Street, Whangārei and via audio visual link  
on Wednesday 29 June 2022, commencing at 10.00am

### Tuhinga/Present:

Chairperson, Colin Kitchen  
Councillor Amy Macdonald  
Councillor Rick Stolwerk  
Ex-Officio Penny Smart  
Independent Advisor Stuart Henderson

### I Tae Mai/In Attendance:

#### Full Meeting

Tumuaki – Chief Executive Officer (*via audio visual link*)  
Pou Taumatua - GM Corporate Services (*via audio visual link*)  
Pou Tiaki Taiao - Group Manager Environmental Services  
PA/Team Admin Governance and Engagement

#### Part Meeting

Human Resources Manager  
Corporate Strategy Manager  
Corporate Systems Champion  
Financial Accountant

The Chair declared the meeting open at 10.01 with a Karakia by Councillor Stolwerk

### Ngā Mahi Whakapai/Housekeeping (Item 1.0)

### Ngā whakapahā/Apologies (Item 2.0)

#### Moved (Stolwerk/Kitchen)

That the apologies from Councillor Yeoman for non-attendance be received.

Carried

### Nga whakapuakanga/Declarations of Conflicts of Interest (Item 3.0)

It was advised that members should make declarations item-by-item as the meeting progressed.

## **Confirmation of Minutes - 30 March 2022 (Item 4.1)**

**Report from Judith Graham, Corporate Services P/A**

**Moved (Stolwerk/Macdonald)**

That the minutes of the Audit and Risk Subcommittee meeting held on 30 March 2022, be confirmed as a true and correct record.

**Carried**

## **Receipt of Action Sheet (Item 5.1)**

**Report from Judith Graham, Corporate Services P/A**

**Moved (Stolwerk/Macdonald)**

That the action sheet be received.

**Carried**

The Pou Taumatua - GM Corporate Services provided an overview of the action sheet. It was agreed to remove 6485 and revisit it in the new triennium, when a replacement Independent Audit and Risk Advisor for Danny Tuato'o will have been appointed. His immediate replacement is not essential and active recruitment can wait until after the 2022 local elections in October.

### **Actions**

- Remove 6485 and revisit it in the new triennium.

## **Internal Audit Schedule (Item 6.1)**

**Report from Judith Graham, Corporate Services P/A**

**Moved (Stolwerk/Macdonald)**

That the report 'Internal Audit Schedule' by Judith Graham, Corporate Services P/A and dated 16 June 2022, be received.

**Carried**

### **Key discussion points:**

- There is enough resource for existing internal audits through staff capacity and use of consultants, however, budget is an issue. Although if council accepts all the recommendation in Item 6.3 Internal Audit Maturity Assessment – Update, then at least extra one FTE would be needed
- The Independent Financial advised that:
  - external auditors in the coming year will be focusing on fraud and re-evaluations, in particular fraud in relation to rates and fees assessments
  - help will be needed to prioritise internal audits.

### **Actions**

- Staff to consider addressing the following in the Internal Audit Schedule:
  - maturity risk assessment on health and safety processes

## **Audit Plan FY22 (Item 6.2)**

### **Report from Bruce Howse, Pou Taumatua – Group Manager Corporate Services**

#### **Moved (Stolwerk/Macdonald)**

That the report 'Audit Plan FY22' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 11 April 2022, be received.

#### **Carried**

#### **Key discussion points:**

- The audit is consistent with previous years, except for the additional new area of focus – investment in subsidiaries and associates – which reflects the change in ownership of Northland Inc
- There is no additional budget needed for the new area as NRC had already agreed to an uplift in the fee to Deloitte.

#### **Actions**

- GM Corporate Services to discuss with Deloitte expanding the audit scope to include:
  - RHSL which will be a complex space as it converts its focus on software to becoming a shared service
  - Kaipara Moana Remediation (Deloitte currently review and report on KMR)
  - Additional checks on Crown contracts given their number and value (noting that some of the large Ministry for the Environment funded projects require annual reporting)
- GM Corporate Services to discuss with Deloitte about how to execute confirmation letters earlier than what is in the audit programme before the Chief Executive Officer's (CEO) retirement, so the incoming CEO is not expected to sign things he is not aware about.

## **Internal Audit Maturity Assessment - Update (Item 6.3)**

### **Report from Bruce Howse, Pou Taumatua – Group Manager Corporate Services**

#### **Moved (Stolwerk/Macdonald)**

That the report 'Internal Audit Maturity Assessment - Update' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 12 May 2022, be received.

#### **Carried**

The Corporate Strategy Manager presented a review of the Deloitte internal audit maturity review and a proposed improvement plan.

#### **Key discussion points:**

- Considering the broader maturity, NRC is aiming to move from a 2 to a 3 – 4 rating of internal audit function and capability, rather than a gold star 5 rating
- The organisation's risk profile is growing because the organisation's size is growing. No one has end to end visibility, so NRC needs to keep strengthening systems. It's a commitment over time, not overnight and the challenge is to manage risk in the meantime until all the threads – ISO standards, RMA requirements etc – are integrated into one programme of work. If the ball is dropped, NRC risks reputational damage
- Ideally the organisation would have an internal audit champion with no self-review and a direct channel to the CEO and Chair of Audit and Risk Committee, or have the role outsourced (noting there is currently a shortage of auditors which creates a resourcing issue)

- The focus of the Deloitte report was on the Executive Leadership Team (ELT) taking ownership, with any issues escalated to this committee and then to council in terms of governance
- Credit was given to the Corporate Strategy team and the Continuous Improvement Steering Group for their work on the report and proposed action plan in response to the Deloitte assessment.

#### **Actions**

- Staff to consider how the connection between audit and governance might be strengthened
- ELT to consider and advise how the improvement plan work might be resourced and bring it back to the committee in due course.

### **Risk Management Activity Update (Item 6.4)**

**Report from Kym Ace, Corporate Systems Champion and Kyla Carlier, Corporate Strategy Manager Moved (Stolwerk/Macdonald)**

That the report 'Risk Management Activity Update' by Kym Ace, Corporate Systems Champion and Kyla Carlier, Corporate Strategy Manager and dated 7 June 2022, be received.

**Carried**

#### **Key discussion points:**

- Members discussed concerns and mitigations around non-compliance with Health and Safety at Work Act 2015, recruitment and retention of expertise, and whether ratings for legislative change and future local government reform were accurate for the incoming council.

### **Risk Deep Dives (Item 6.5)**

**Report from Kym Ace, Corporate Systems Champion and Kyla Carlier, Corporate Strategy Manager Moved (Stolwerk/Kitchen)**

That the report 'Risk Deep Dives' by Kym Ace, Corporate Systems Champion and Kyla Carlier, Corporate Strategy Manager and dated 14 June 2022, be received.

**Carried**

#### **Key discussion points:**

- The Resource Management Act reforms are more significant than 3 Waters and will significantly impact NRC's ability to resource business as usual which has focused on delivering field work
- Without a rates increase, frontline services will need to be reduced and the money reallocated to build regulatory, policy and corporate services capacity.

### **Kaupapa ā Roto/Business with Public Excluded (Item 7.0)**

**Ngā mahi tūtohutia / Recommendations**

1. That the public be excluded from the proceedings of this meeting to consider confidential matters.
2. That the general subject of the matters to be considered whilst the public is excluded, the reasons for passing this resolution in relation to this matter, and the specific grounds under the Local Government Official Information and Meetings Act 1987 for the passing of this resolution, are as follows:

Item No.	Item Issue	Reasons/Grounds
7.1	Confirmation of Confidential Minutes - 30 March 2022	The public conduct of the proceedings would be likely to result in disclosure of information, as stated in the open section of the meeting -.

3. That the Independent Advisors be permitted to stay during business with the public excluded.

### **Whakamutunga (Conclusion)**

**The meeting concluded at 11.25am.**

Unconfirmed