



MINUTES OF A MEETING OF THE FINANCE AUDIT & RISK SUB-COMMITTEE

Date: Wednesday 3 June 2015

Time: 9.00am

Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Present: D Hewitt - Chairman
R Barker
C Scott
F Wilson

In Attendance: E Lambert – Chief Executive
P Drury – Group Manager Corporate Services
M Adye – Group Manager Asset Management
L Hooper – Governance & Corporate Administration Manager
M Collings – Corporate Accountant

1. Welcome/Apologies/Notices

The Chairman welcomed everyone to this, the first meeting of the sub-committee.

2. Conflict of Interest Declarations

There were no conflict of interest declarations.

3. Role and Functions of the Finance, Audit & Risk Sub-Committee

An amendment to the Terms of Reference, k) was agreed, being: The Finance, Audit and Risk sub-committee is not delegated to make any decisions ***unless by specific delegation by Council.***

A further amendment to the Terms of References b) Specific Responsibilities was agreed; being: 7. Undertake ... stated ***performance*** criteria ***to determine efficiency/effectiveness of delivery of Council services.***

It was agreed that staff will draft a Charter based on discussions from today's meeting, for the sub-committee to consider at the next meeting.

FIN1/15

Resolutions

That the Finance, Audit and Risk Sub-committee:

1. Receives and reaffirms the Terms of Reference for the sub-committee, amended as agreed.
2. Receives and confirms the Delegations made to it by the Hawke's Bay Regional Council
3. Receives and confirms the reporting lines for the sub-committee as per the HBRC Governance structure.

The Finance, Audit and Risk Sub-committee recommends that Council:

4. Approves the following amendments to the Terms of Reference for the sub-committee.

b) Specific Responsibilities

The Audit and Risk Committee shall have responsibility and authority to:

7. Undertake systematic reviews of Council operational activities against Council stated ***performance*** criteria ***to determine efficiency/effectiveness of delivery of Council services***

k) Accountability

The Finance, Audit and Risk sub-committee is not delegated to make any decisions ***unless by specific delegation by Council.*** All recommendations of the sub-committee must be considered by the Corporate and Strategic Committee prior to any decision of Council.

**Wilson/Scott
CARRIED**

4. Members' Liability

Paul Drury introduced the item and Lauren Hibberd, Sainsbury Logan Williams, who explained that the indemnity for Councillors under the Local Government Act is applicable. Concerns around members' liabilities under the new Health & Safety legislation were raised, noting that no members are exempt from liability and further discussions are to be held with all Councillors at the September Corporate and Strategic Committee meeting. It was also confirmed that elected members' defence costs are 'ring fenced'.

FIN2/15 **Resolution**

1. That the Finance, Audit and Risk Subcommittee receives the reports on “**Members’ Liability**” from Sainsbury Logan Williams and “**Professional Indemnity, Public Liability and Statutory Liability Insurances**” from Jardine Lloyd Thompson insurance brokers.

**Wilson/Scott
CARRIED**

8. HBRC Risk Assessment and Management

Mike Adye explained the framework under development, and the Audit and Risk Policy, and sought feedback from the sub-committee.

Suggestions made:

- in relation to specifying ‘external’ review of risks, as well as including resulting ‘actions’ from review findings.
- an external ‘audit’ of the framework be carried out and then reported back to the sub-committee as to its comprehensiveness and appropriateness.
- staff delegations for spending to manage biosecurity incidents be investigated.
- Health and Safety be a separate stream within the framework.

Holes in framework identified:

- Fraud Policy
- Health & Safety reporting
- mitigation and prioritisation of risk.

There was general agreement that once the framework is set up, and independent ‘audit’ or review will be undertaken to ensure that the framework is adequate.

FIN3/15 **Resolutions**

That the Finance, Audit and Risk Sub-committee:

1. Receives the HBRC Risk Assessment and Management report
2. Provides comment on the draft Audit and Risk Management Policy and Framework.

**Scott/Barker
CARRIED**

6. Internal Audit

The Chairman welcomed John Nixon, Sophie Kaye and Manton Collings, and flagged that the Sub-committee would consider the PWC report in Public Excluded session.

1. That the Finance, Audit and Risk Sub-committee excludes the public from this section of the meeting, being Agenda Item 6 **Internal Audit** with the general subject of the item to be considered while the public is excluded; the reasons for passing the resolution and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution being as follows:

GENERAL SUBJECT OF THE ITEM TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION	GROUNDS UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION
Internal Audit	7(2)(i) That the public conduct of this agenda item would be likely to result in the disclosure of information where the withholding of the information is necessary to enable the local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

2. That Mr John Nixon and Ms Sophie Kaye, of PWC, are present for the item as Council's internal auditors and report authors.

**Scott/Barker
CARRIED**

The committee moved into Public Excluded at 10.25am and out of Public Excluded at 11.05am

The meeting adjourned at 11.05am and reconvened at 11.15am

7. External Audit

Stephen Lucy introduced himself and Fiona Elkington, and highlighted elements of the Audit Arrangements.

Discussions traversed the various accounting standards, the way the HBRIC and Napier Port financials are reported, accounting across RWSS, HBRIC and the Limited Partnership, as well as the definition of intangible assets and criteria for qualifying. Further discussions covered audit judgements in relation to reasonable and sensible, and the ACC audit report (clause 19.1(g) of the Agreement).

IT systems auditing and assessment of capital investment in IT being fit for purpose and future proof, as well as management of members' interests (particularly pecuniary) and the Risk Management Framework and reporting were discussed.

In terms of an independent member appointment to this sub-committee, Mr Lucy gave his view that the Auditor General's Guidance would provide useful direction to the discussions.

FIN4/15 Resolution

1. That the Finance, Audit and Risk Sub-committee approves the draft arrangements letter for the Audit NZ audit of Council's financial statements for year ending 30 June 2015.

**Barker/Scott
CARRIED**

5. Appointment of Independent Member

Mrs Lambert sought the sub-committee's feedback on the process to be undertaken to make the appointment.

Skills and qualities to be sought were confirmed as including, but not limited to:

- local not essential – to give a different perspective
- expertise and knowledge in accounting practice and Risk Management assessment
- knowledge of the sector
- willingness to work in public meetings.

FIN5/15 Resolution

The Finance, Audit and Risk Sub-committee recommends that the Corporate and Strategic Committee:

1. Requests that the Chief Executive seeks Expressions of Interest from suitably qualified applicants for the role of independent member of the Finance, Audit and Risk Sub-committee.

**Wilson/Barker
CARRIED**

9. Work Programme Going Forward

The tabled work programme was confirmed – with the addition of:

- Sub-committee Charter – 22 September meeting
- Cyber Safety
- Systematic Review timetable/schedule
- IT Systems, including update on where HB LASS gets to
- Fraud
- Risk Management Framework

The 11 November meeting date will be changed, revised date to be advised.

FIN6/15

Resolution

1. That the Finance, Audit and Risk Sub-committee receives the “**Work Programme Going Forward**” report.

**Hewitt/Barker
CARRIED**

Closure:

There being no further business the Chairman declared the meeting closed at 12.20pm on Wednesday, 3 June 2015.

Signed as a true and correct record.

DATE:

CHAIRMAN: