



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

Date: Wednesday 7 March 2018

Time: 9.00am

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

Present: N Kirton - Chairman
P Bailey
R Barker
D Benham
A J Dick

In Attendance: J Palmer – Chief Executive
J Ellerm – Interim Group Manager Corporate Services
L Lambert – Group Manager External Relations
L Hooper – Governance Manager
M des Landes – Management Accountant
M Collings – Corporate Accountant

1. Welcome/Apologies/Notices

The Chairman welcomed everyone to the meeting. There were no apologies, however Cr Rick Barker was not present.

There were no notices.

2. Conflict of Interest Declarations

There were no conflict of interest declarations.

3. Confirmation of Minutes of the Finance Audit & Risk Sub-committee meeting held on 4 December 2017

FIN57/18 Resolution

Minutes of the Finance Audit & Risk Sub-committee held on Monday, 4 December 2017, a copy having been circulated prior to the meeting, were taken as read and confirmed as a true and correct record.

**Bailey/Benham
CARRIED**

Secretarial note: As there are no provisions under Council's Standing Orders for discussion of the minutes other than confirmation of their correctness, "matters arising" discussions are recorded as part of item 4 Follow-ups from Previous Finance Audit & Risk Sub-committee meetings.

Councillor Barker arrived at 9.04am

4. Follow-ups from Previous Finance Audit & Risk Sub-Committee Meetings

Jessica Ellerm, in response to a query about Sub-committee recommendations to the December Corporate & Strategic Committee meeting, advised a request for special accounts to 30 June has been made to the Port via HBRIC Ltd.

The follow-up report was taken as read.

FIN58/18 Resolution

That the Finance, Audit and Risk Sub-committee receives and notes the report "**Follow-ups from Previous Finance Audit and Risk Sub-committee Meetings**".

**Barker/Bailey
CARRIED**

5. Six-Monthly Risk Assessment and Management Update

Melissa des Landes introduced the item, providing an overview of the process of reassessing the Council's risk register over the past few months. Queries and discussions covered:

- Pg 12 – failure to meet public expectations query in relation to public understanding of the different roles and responsibilities of TAs and regional councils and suggest that should be noted. Through this LTP consultation process, HBRC taking the opportunity to detail what our specific role and responsibilities are. Communications review last year noted where changes might be made to provide more clarity for the public.
- Pg 18 TANK – WCO interference in the process is a real potential risk and query whether it should be added to the risk register. Advocacy by HBRC with tribunal has so far been managed or minimised the risk however it should be noted on the register. Suggestion that 'failure to achieve agreement' through the collaborative process should be included as a risk to the TANK process. Working toward best outcomes possible but high likelihood there will be appeals to the Environment

Court and the costs that will be incurred over a period of 2-3 years after notification of the draft plan change.

- Presentation of the register is good with the inclusion of the 'trend' column
- Surprised no mention of the findings of the government drinking water enquiry and regulation to come out of those recommendations. Not specific mention of the Havelock North enquiry however the significant operational mitigations and changes have been incorporated into the register in "Human Health impacts from contamination of drinking water"
- Risk defined as something that could impair the council's ability to carry out its activities. Purpose to document that we are aware of all the risks and have considered mitigations and actions.
- Use plain English to ensure risks are clearly understood, fundamental objective of the register is to provide governors with assurance that staff are aware of and managing the risks to council's operations. Some wording changes suggested.
- How much is normal day-to-day business, and whether the register should document exceptions. Concern that too much detail shifts the balance to over management of risks with the potential to become risk averse.
- Commentary in the report details the key changes made to the register from the last review in response to feedback provided by the sub-committee. Query whether a document showing the actual changes in the register could be provided, e.g. spreadsheet "H&S moved from here to x"
- Ratings reflect where there are risks that we can control or are externally influenced
- Wider risks from water contamination documented through lower level in the register
- Suggestion that potential to 'aggregate' risks, e.g. implementation of new software included in risk of ICT failure – human health risk of water contamination covering more than just drinking water
- Suggest the Exec process of review and accountability should be documented
- PC6 risk of CHB community blaming HBRC for negative impacts of PC6 implementation

FIN59/18 **Resolutions**

1. That the Finance, Audit and Risk Sub-committee Receives and considers the **"HBRC Risk Assessment and Management"** staff report:
2. The Finance, Audit and Risk Sub-committee recommends that the Corporate and Strategic Committee:
 - 2.1. Agrees the decisions to be made are not significant under the criteria contained in Councils' adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community.
 - 2.2. Confirms the Finance, Audit and Risk Sub-committee's confidence that the risk assessment processes are appropriate processes to identify and assess organisational risks.

**Dick/Barker
CARRIED**

6. Procurement Internal Audit Scope and Water Management Internal Audit Progress Update

Melissa des Landes advised that due to the delays starting the Water Management internal audit that report will now be presented to the June sub-committee meeting.

In relation to the recommendations from the data analytics audit, Ms des Landes explained improvements made to the invoicing process to stop creation of duplicate vendors and duplicate payment of invoices.

In relation to the scope for the Procurement internal audit, discussions traversed:

- Inclusion of Living wage considerations in procurement policy
- Cost considerations and consideration of purchasing local services or supplies, and documenting the weighting applied to considerations along with ethical or green considerations
- Potential tender processes and thresholds for Tenders Committee
- Request for analysis of consequential costs and benefits of local versus out of region and green/ethical purchasing
- Agree to extend the scope to include assessment of local versus out of town purchasing, and ethical/environmental standards when purchasing

FIN60/18 **Resolutions**

1. That the Finance, Audit and Risk Sub-committee receives and notes the ***“Procurement Internal Audit Scope and Water Management Internal Audit Progress Update”*** staff report.
2. The Finance, Audit and Risk recommends that the Corporate and Strategic Committee:
 - 2.1. Agrees that the decisions to be made are not significant under the criteria contained in Council’s adopted Significance and Engagement Policy, and that the Committee can exercise its discretion and make decisions on this issue without conferring directly with the community and persons likely to be affected by or to have an interest in the decision.
 - 2.2. Approves the scope for the Procurement internal audit, including agreed amendments, and the initiation of the Audit.

**Barker/Bailey
CARRIED**

7. **HBRC Works Group Update**

Hamish introduced Kathy and provided an overview presentation of the Works group including:

- 30 staff with qualifications including civil engineering, certified mechanics, National certificate in infrastructure pipelaying, GrowSafe and approved chemical handling, National Certificate in tree felling, and boat skippers as well as Health and Safety – TQS1 Qualified, SiteWise 100% and ACC Tertiary level accreditation
- Separate business unit with own accounts and balance sheet, retained earnings returned to HBRC
- Turnover of \$5 million annually, with 65% being for work contracted with HBRC, 20% external via tender and 15% uncommitted HBRC work
- make-up of Works Group revenue and expenditure as well as the current financial position
- HBRC work includes maintenance and servicing of 19 Pump Stations, 24/7 flood and oil spill response, beach raking, drain spraying and mowing, stopbank maintenance, as well as cycleway, public access and open spaces maintenance
- External work is contracted by tendering on the open market in line with the Works Group core activities and in accordance with the policy established by Council in March 2003, including shared services with Hastings, Napier, CHB and other councils as a qualified preferred provider.
- An update on Works Group activities will be presented to the sub-committee six monthly, and annually to the Corporate and Strategic Committee.

FIN61/18 **Resolution**

That the Finance, Audit and Risk Sub-committee receives and notes the ***“HBRC Works Group Update”*** staff report and presentation.

**Kirton/Dick
CARRIED**

The meeting adjourned at 11am and reconvened at 11.15am

8. Resource Management Information System Implementation Update

Mr Kahl Olsen spoke to the item, providing an update on the implementation of the RMIS software which is back on track after experiencing some resource constraints at the 3 month check-point review requiring corrective action. Additional capital costs and expenditure (2 months, up to \$180k) will be brought back to the sub-committee in June as part of a full financial review.

FIN62/18 **Resolution**

That the Finance, Audit & Risk Sub-committee receives and notes the “**Resource Management Information System Implementation Update**” report.

**Bailey/Benham
CARRIED**

9. Local Government Act Section 17a Reviews

Mrs Jessica Ellerm spoke to the item, explaining the reviews are behind schedule due to capacity constraints with development of the LTP.

Section 17a requires council to review its Significant activities to ensure they are being performed in the most cost efficient manner, and several reviews carried out in development of the LTP proposals have served the purpose of meeting the legislative requirements.

Staff will compile a list of which activities have been reviewed recently and through the LTP process, carry out a gap analysis and then set a schedule of future reviews to be undertaken with the sub-committee at its June meeting.

FIN63/18 **Resolution**

That the Finance Audit & Risk sub-committee receives the “**Local Government Act Section 17a Reviews**” report.

**Barker/Benham
CARRIED**

10. March 2018 Update on the Sub-Committee Work Programmes

Jessica Ellerm outlined the upcoming reports scheduled for presentation to the sub-committee, and the proposed format and contents of a treasury or investment returns item staff intend to provide as a standing item to future sub-committee meetings.

LTP audit carried out and staff expect that Audit NZ hot review is taking place today, then their report will be provided prior to the adoption of the supporting information and consultation document on 14 March.

Request for reporting of council’s compliance with legislation to the sub-committee, through a register or framework.

Suggest that Works Group update be provided to the Corporate & Strategic committee annually, in addition to the more detailed six monthly reports to the sub-committee.

FIN64/18 **Resolution**

That the Finance, Audit and Risk Sub-committee receives and notes the “**March 2018 Update on Sub-committee Work Programmes**” staff report.

**Kirton/Bailey
CARRIED**

Closure:

There being no further business the Chairman declared the meeting closed at 11.52am on Wednesday 7 March 2018.

Signed as a true and correct record.

DATE:

CHAIRMAN: