



Unconfirmed

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

Date: Tuesday 12 February 2019

Time: 9.15am

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

Present: N Kirton - Chairman
P Bailey
A J Dick
R Dinwoodie

In Attendance: J Palmer – Chief Executive
J Ellerm – Group Manager Corporate Services
L Hooper – Principal Governance Advisor
M Collings – Chief Financial Officer
M des Landes – Corporate Accountant

1. Welcome/Apologies/Notices

The Chairman welcomed everyone to the meeting, the first for Rebekah Dinwoodie as newly appointed independent member of the sub-committee. Rebekah outlined her background and experience.

Resolution

FIN96/19 That the apology for absence from Councillor Rick Barker is received.

**Kirton/Bailey
CARRIED**

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 21 November 2018

Resolution

Minutes of the Finance Audit & Risk Sub-committee meeting held on Wednesday, 21 November 2018, a copy having been circulated prior to the meeting, were taken as read and confirmed as a true and correct record.

**Dick/Bailey
CARRIED**

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

The follow-ups item was taken as read.

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***".

**Dick/Bailey
CARRIED**

5. Six Monthly Report on Risk Assessment and Management

Melissa des Landes introduced the item, outlining the key changes to internal processes and to the register itself. Queries and discussions covered:

- Attracting and retaining appropriately qualified staff, and reviewing staff survey results to provide insight into potential mitigation measures
- Quality learning and information sharing meeting held for staff with PWC
- Level of detail in reporting to the sub-committee and councillors to provide sufficient awareness of the underlying detail within the risk management software
- Wider societal risks and whether those risks that are currently considered at a national level should be noted or included in Council's risk register and framework in some way
- Civil defence risks, whether those are adequately addressed and sufficiently detailed in the Council's risk register
- Infrastructure exceedance and failure risks in relation to flood protection, and potentially managing exceedance and failure separately

Resolutions

That the Finance, Audit and Risk Sub-committee:

1. confirms the Sub-committee's confidence that Council management has a current and comprehensive risk management framework and associated procedures for

effective identification and management of the Council's significant risks

2. recommends that the Corporate and Strategic Committee receives and notes the resolutions of the sub-committee, confirming the robustness of Council's risk management systems, processes and practices
3. notes that a review of the Risk Assessment and Management framework will be undertaken in the 2019-20 financial year.

**Dick/Dinwoodie
CARRIED**

6. Proposed Scope for Follow-up Water Management Internal Audit

This audit is proposed to be a follow-up to audit the progress made on carrying out the recommendations and actions from the 2018 internal audit.

FIN100/19 Resolutions

That the Finance, Audit and Risk Sub-committee:

1. Receives and notes the ***“Proposed Scope for the Follow-up Water Management Internal Audit”*** staff report.
2. Confirms the proposed Scope for the Follow-up Water Management Internal Audit.

**Bailey/Dinwoodie
CARRIED**

7. Data Analytics Internal Audit Report

Melissa introduced the item, being the report on the internal audit undertaken on Council's financial data analytics following on from the audit undertaken during the previous financial year. Discussions covered:

- Duplicate payments made and duplicate vendors in the accounts payable system, and how those have been decreased through reviewing internal processes
- Procurement and sharing of vendor information discussions have occurred at HB LASS

FIN101/19 Resolutions

That the Finance, Audit and Risk Sub-committee:

1. receives and notes the ***“Data Analytics Internal Audit Report”***
2. confirms its confidence that appropriate action has been taken by management in response to the Data Analytics Internal Audit recommendations
3. recommends that the Corporate and Strategic Committee receives and notes the resolutions of the sub-committee, confirming that appropriate action has been taken by management in response to the Data Analytics Internal Audit recommendations.

**Bailey/Dinwoodie
CARRIED**

8. Financial Delegations

Manton Collings introduced the item, which recommends that the current delegations are adjusted to reflect changes over the last 10 years. Discussions covered:

- The contingency fund and associated delegations, with the amount budgeted in the Annual Plan/ LTP and CE delegated to approve spend outside of what has been budgeted including reporting
- Suggested a separate, named line item as consulted on in line with best practice

- Difference between contingency and emergency funding and spend
- Currently experiencing issues at the group manager level as approval of CE required above \$75,000
- Procurement oversight versus financial approval in relation to the Tenders Committee
- Capital asset replacement reserve funds where no provision is made in the LTP /Annual Plan

FIN102/19 **Resolutions**

1. That the Finance, Audit and Risk Sub-committee receives and notes the ***“Financial Delegations”*** staff report.
2. That the Finance, Audit and Risk Sub-committee provides feedback on the ***“Financial Delegations”*** levels proposed.
3. The Finance, Audit and Risk Sub-committee recommends that the Corporate and Strategic Committee:
 - 3.1. 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 or persons likely to be affected by or have an interest in the decision.
 - 3.2. Reviews and considers the proposed Financial Delegations and provides feedback for recommendations to Council for decision.

**Kirton/Bailey
CARRIED**

9. 2017-18 Audit NZ Management Report

Manton Collings introduced the item, outlining its purpose and advising that Stephen Lucy was unable to attend the meeting today. Discussions traversed:

- Subsequent to the Audit, the HBRIC tax write-off has been approved
- Port valuations and tax/financial treatment of sea defences as per their financial report to 30 June
- Inconsistencies identified in relation to the way staff apply contract management policies and processes – staff resourcing now available and a review of the contract management policy and processes is under way, with expected completion by the end of the 2018-19 financial year
- Flow of information from HBRIC with the financial reporting having been brought back into HBRC as well as receipt of the information from Napier Port (Ernst & Young) as timing coincides with IPO transaction and the need for HBRC to sign off the Annual Report prior to the election.

FIN103/19 **Resolutions**

1. That the Finance, Audit and Risk Sub-committee receives and notes the ***“2017-18 Audit NZ Management Report”***.
2. The Finance, Audit and Risk Sub-committee 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 or persons likely to be affected by or have an interest in the decision.

- 2.2. Confirms the Finance, Audit and Risk Sub-committee's satisfaction that the **"2017-18 Audit NZ Management Report"** is sufficient and that there are no outstanding issues of concern.

**Kirton/Bailey
CARRIED**

The meeting adjourned at 10.40am and reconvened at 10.50am

10. Treasury Report

Manton Collings introduced the item, which is an update on progress transferring funds to the investment managers which will be fully allocated (\$40m) at the end of next week. First full Treasury Report will come to the next sub-committee meeting, when the LGFA transaction will be complete (anticipated end of March) as well. Staff are working with PWC on debt and cashflow management. Discussions traversed:

- Rates invoice timing being reviewed, ratepayers paying by direct debit and fewer penalty notices for overdue rates this year that last
- Future reporting to the committee and to the public, with suggestion that a link be provided on the HBRC website to "current investment returns"

FIN104/19 Resolution

That the Finance Audit and Risk Sub-committee receives and notes the **"Treasury Report"**.

**Bailey/Dick
CARRIED**

11. Resource Management Information System (IRIS) Implementation Update

Jessica Ellerm introduced the item with a brief overview of the purpose and significance of the project, noting that one minor module has been shifted into Phase 2 implementation and that a 'lessons learned from Phase 1' session will be held this week to take learnings into Phase 2. There is a possibility that additional budget may be required to deliver the GIS requirements to the integrated catchment management team in particular. Suggestion that IT and Regulation provide the sub-committee with and overview of the reporting available from IRIS.

FIN105/19 Resolution

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

**Kirton/Dick
CARRIED**

12. February 2019 Sub-Committee Work Programme Update

The item was taken as read, noting that the Business Continuity internal audit was deferred and the 2019-20 schedule of internal audits proposal will be presented to the May sub-committee meeting for confirmation.

Jessica Ellerm provided an update on work being undertaken in relation to living wage, including a survey of suppliers to provide data to Council for determination of whether it wants to include provisions in the procurement policy to give preference to service providers who pay the living wage.

FIN106/19 Resolution

That the Finance, Audit and Risk Sub-committee receives and notes the **"February 2019 Sub-committee Work Programme Update"** staff report.

**Bailey/Dinwoodie
CARRIED**

13. Confirmation of the Public Excluded Minutes of the Finance, Audit and Risk Sub-committee Meeting held on 21 November 2018

FIN107/19 Resolution

That the Council excludes the public from this section of the meeting being Confirmation of Public Excluded Minutes Agenda Item 13 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:

GENERAL SUBJECT OF THE ITEM TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION	GROUND UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION
Appointment of an Independent Member of the Finance, Audit & Risk Sub-Committee	7(2)(a) 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 protect the privacy of natural persons	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

**Bailey/Dick
CARRIED**

14. Confirmation of Minutes of the Finance Audit & Risk Sub-committee meeting held on 21 November 2018

FIN108/19 Public Excluded Minutes of the Finance Audit & Risk Sub-committee meeting held on Wednesday, 21 November 2018, a copy having been circulated prior to the meeting, were taken as read and confirmed as a true and correct record.

**Bailey/Dick
CARRIED**

Resolution

FIN109/19 That the meeting moves out of Public Excluded session.

**Bailey/Dick
CARRIED**

The meeting went into public excluded session at 11.28am and out of public excluded session at 11.30am

Closure:

There being no further business the Chairman declared the meeting closed at 11.30am on Tuesday 12 February 2019.

Signed as a true and correct record.

DATE:

CHAIRMAN: