



## **Unconfirmed**

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

**Date:** Wednesday 21 August 2019

**Time:** 9.00am

**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  
S Davé – Chief Financial Officer  
J Lawrence – Group Manager Office of the CE & Chair  
P Munro – Te Pou Whakarae  
T Kilkolly – Principal Accountant Rates and Revenue  
A Siddles – ICT Manager  
A Roets – Governance Administration Assistant

## 1. Welcome/Apologies/Notices

The Chair welcomed everyone to the meeting, noting that this is Councillor Alan Dick's last Finance, Audit and Risk Sub-Committee meeting.

Jessica Ellerm advised that Andrew Siddles, ICT Manager, is in attendance to provide information about Council's Cloud services provider, Revera.

### Resolution

FIN110/19 That the apology for absence from Councillor Rick Barker be accepted.

**Bailey/Dick  
CARRIED**

At the Chair's invitation, Andrew Siddles advised the Sub-committee that:

- HBRC's Infrastructure as a Service (IaaS) provider is Revera, which manages and hosts Cloud computing services like data centres, storage and back-up services for government agencies, and is a CCO all of government service run by the Department of Internal Affairs (DIA).
- The latest 3 yearly audit of security compliance as part of a recertification process found that Revera had a number of process related issues resulting in its being non-compliant, hence DIA has taken over direct operations management of the security systems.
- There is no business impact for the Regional Council and the service will continue to run, and DIA has advised it is satisfied with the progress being made toward resolving the issues pointed out in the Audit report.
- Resolution of issues will be followed by an external validation process to ensure that all risks have been properly closed before Revera's service can be re-certified.
- HBRC staff are currently monitoring the situation, and also currently reviewing all permissions into the server environment, contracts and Change Management processes.

## 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 22 May 2019

### FIN111/19 Resolution

Minutes of the Finance Audit & Risk Sub-committee held on Wednesday, 22 May 2019, a copy having been circulated prior to the meeting, were taken as read and confirmed as a true and correct record.

**Bailey/Dinwoodie  
CARRIED**

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

In relation to Council's current approach to Climate Change, Council has strong commitment internally towards reducing its environmental footprint, including progression towards becoming Enviromark accredited.

It is proposed that Climate Change work relating to the region (supporting communities and businesses) will be reported through the Environment and Services Committee and that Organisational Performance reports (carbon footprint, etc) to the Corporate and Strategic Committee will report organisational initiatives related to Climate Change.

Appointment of a new People and Capability Manager is anticipated to be done by December 2019. Implementation plan for the organisation's learning and

development strategy is due for sign off by the Executive Leadership Team on 27 August.

Reporting by joint committees will be reviewed at the beginning of the new triennium.

**FIN112/19 Resolutions**

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

**Bailey/Dick  
CARRIED**

**5. Remission of Penalties on Rates Policy (Fixed Term)**

Trudy Kilkolly introduced the item, noting it results from the changes to HBRC’s rates due dates. Discussions traversed:

- The current Policy allows for one remission every three years for a missed rate payment
- The Policy change recognises that some ratepayers will be required make two payments in the 2020 calendar year, which may cause financial hardship.

**FIN113/19 Resolutions**

1. That the Finance, Audit and Risk Sub-committee receives and considers the “*Remission of Penalties on Rates Policy (Fixed Term)*” staff report.
2. The Finance, Audit and Risk Sub-committee recommends that the Corporate and Strategic Committee recommends that Hawke’s Bay Regional Council:
  - 2.1. Agrees the decisions to be made are not significant under the criteria contained in Council’s adopted Significance and Engagement Policy, and that Council will consult as required by LGA s103(4) and s82 as part of either the 2020-21 Annual Plan or with other appropriate consultation process.
  - 2.2. Subject to consultation as per 2.1 above, agrees to adopt a Remission of Penalties on Rates Policy (Fixed Term).

**Bailey/Dinwoodie  
CARRIED**

**6. Six Monthly Report on Risk Assessment and Management**

Joanne Lawrence introduced the item, which was taken as read. Discussions covered:

- Feedback from last FARS meeting resulted in further work on the issues of the risks of Harm to the Environment, Civil Defence, and Staff retention and welfare.
- Risk of Harm to Environment is a new risk for consideration when undertaking flood scheme operations in particular, with Chris Dolley the Risk Owner.
- Further work on Civil Defence Risk will be included as part of the risk management review process later in the financial year.
- Several mitigation initiatives have been implemented for Staff Wellbeing and Staff Retention risks, including the implementation of the organisational development review and programme, Learning and Development Strategy and Action Plan, and the full remuneration review just completed.
- Risks trending upwards include the Implementation of the National Policy for Freshwater Management. Central Government is expected to impose a new deadline of 2025 for all freshwater plans to be operative and the Strategic Planning team will continue to monitor this closely.
- The Human Health impacts from contamination of drinking water risk is trending downwards as a result of the review of National Environment Standards for drinking water and the identification of source protection zones in Plan Change 9.

- A newly created risk and assurance role in the Office of the CE and Chair will lead responsibility for the risk management portfolio including development of Council's assurance framework.
- The newly appointed Chief Financial Officer, Shash Davé will retain an advisory link to this work stream.
- Suggestions were made that consideration should be given to the human health risks associated with swimming and recreational activities in contaminated water and with regard to landfills not listed on the HAIL register.

#### FIN114/19 **Resolutions**

That the Finance, Audit and Risk Sub-committee:

1. receives and considers the “*Six Monthly Risk Assessment and Management*” staff report
2. confirms its 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
3. 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.

**Kirton/Dick  
CARRIED**

#### 7. **Treasury Report**

Shash Davé, Chief Financial Officer introduced the item, which was taken as read, and discussions covered:

- Council's investment returns are below the FY19 targeted net inflation-adjusted return of 4.5% - and may continue over the next 12-18 months
- Council's current Statement of Investment Policy and Objectives (SIPO) requires fund managers to mitigate 100% of Council's foreign currency exposure in all international asset classes except equities
- Subsequent to both fund managers meeting their SIPO mandated asset allocations, staff and fund managers will evaluate the portfolio as well as options to present a more cost-effective solution which may require adjustment to the SIPO
- Recommendations for adjustments to the SIPO and Council's investment portfolio, including the proceeds of the Port share float will be put to the new Council for consideration and communication with the public.

#### FIN115/19 **Resolution**

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

**Kirton/Bailey  
CARRIED**

#### 8. **Procurement Hub Update**

Mark Heaney introduced the item, which was taken as read. Discussions covered:

- An automated evaluation process triggers contract expiry notifications, budget performance, meeting specification, health and safety performance, etc through a “dashboard” view to mitigate the key audit finding relating to evidence to support procurement decisions
- Matariki Regional Economic Strategy action committed to by all councils that all capital works be “put on the table” for a more managed procurement approach to avoid all councils competing for the same contractors for the same work. This sits with the region's Chief Executives to identify where opportunities lay and they are currently recruiting a Manager to be responsible for this function, based at Hastings

District Council and reporting to the regional Chief Executives group.

**FIN116/19 Resolution**

That the Finance, Audit and Risk Sub-committee receives and notes the “*Procurement Hub Update*” staff report.

**Bailey/Dinwoodie  
CARRIED**

**9. August 2019 Sub-Committee Work Programme Update**

The item was taken as read.

- Audit NZ currently auditing HBRC financials, and Staff engaged in discussions with Audit NZ pertaining to the disclosure of HBRIC financials prior to the Napier Port IPO in relation to Council’s annual report.
- Staff resourcing continues to be challenging, with Melissa des Landes also managing the HBRIC financials this year.
- Jessica Ellerm advised that she distributed a note about Napier Port financials to FARS members via email
- New auditors will be appointed for the next financial year.

**FIN117/19 Resolution**

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

**Dick/Bailey  
CARRIED**

**10. Proposed Local Government Act Section 17a Review**

**FIN118/19 Resolution**

That Council excludes the public from this section of the meeting, being Agenda Item 10 Proposed Local Government Act Section 17a Review 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:

<b>GENERAL SUBJECT OF THE ITEM TO BE CONSIDERED</b>	<b>REASON FOR PASSING THIS RESOLUTION</b>	<b>GROUND UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION</b>
Proposed Local Government Act Section 17a Review	7(2)7(2)(f)(ii) The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment.	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

**Dinwoodie/Bailey  
CARRIED**

**11. Confirmation of the Public Excluded Minutes of the Finance, Audit and Risk Sub-committee Meeting held 22 May 2019**

**FIN119/19 Resolution**

That the Council excludes the public from this section of the meeting being Confirmation of Public Excluded Minutes Agenda Item 11 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**

Proposed 2019-20 Council Insurance Programme

**REASON FOR PASSING THIS RESOLUTION**

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).

**FOUNDATIONS UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION**

The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

**Bailey/Dinwoodie  
CARRIED**

**11. Confirmation of Public Excluded Minutes of the Finance, Audit and Risk Sub-Committee held on 22 May 2019**

FIN120/19 Public Excluded Minutes of the Finance, Audit and Risk Sub-Committee Committee meeting held on Wednesday, 22 May 2019, a copy having been circulated prior to the meeting, were taken as read and confirmed as a true and correct record.

**Bailey/Dinwoodie  
CARRIED**

**Resolution**

FIN121/19 That the meeting moves out of Public Excluded session.

**Bailey/Kirton  
CARRIED**

***The meeting went into public excluded session at 10.33am and out of public excluded session at 10.43am***

**Closure:**

There being no further business the Chairman declared the meeting closed at 10.43am on Wednesday, 21 August 2019.

Signed as a true and correct record.

**DATE:** .....

**CHAIRMAN:** .....