



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

**Date:** Wednesday 6 June 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 – Independent member  
A J Dick

**In Attendance:** J Palmer – Chief Executive  
J Ellerm – Group Manager Corporate Services  
A Roets – Governance Administrative Assistant  
M Collings – Corporate Accountant  
M des Landes – Management Accountant  
M Solomon – Crowe Horwath Internal Auditors  
M Heaney – Manager Client Services

## 1. Welcome/Apologies/Notices

The Chairman welcomed everyone to the meeting, particularly Martin Solomon (Crowe Horwath).

It was noted that Item 7 Water Management Internal Audit will be discussed at 9:45am.

Cr Dick advised that he has to leave at 11:00am.

## 2. Conflict of Interest Declarations

There were no conflict of interest declarations.

## 3. Confirmation of Minutes of the Finance Audit & Risk Sub-Committee Held on 7 March 2018

### FIN65/18 Resolution

Minutes of the Finance Audit & Risk Sub-committee held on Wednesday, 7 March 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

There were no follow-ups from previous meetings.

## 5. Procurement and Contract Management Internal Audit

Jessica Ellerm introduced the item, followed by discussions covering:

- During Procurement audit, staff identified that Contract Management needed some work and the audit scope was extended to include this.
- Current Procurement Policy fit for purpose, but lack of consistency around the approach, templates and direction for staff to use. Findings of the Audit report taken into consideration through the LTP.

*Cr Barker left the meeting at 9:19am*

- Proposed that Contract Management be managed by Client Services team within current resources.
- Procurement should be centralised, managed and monitored to ensure that every staff member adheres consistently with the Policy.
- Organisation's culture changing, with staff understanding the importance of greater formality and adherence to the Policy.

*Cr Barker returned to the meeting at 9:27am*

- Essential that Works Group follows the common procurement processes, and undertook their own Internal Audits process using the main procurement policy from HBRC. Request that copies of Works Group audits be distributed to the sub-committee – and agenda item for September meeting.
- Flexi purchase card implemented to enforce more control over delegations and approvals of expenses.
- Consideration should be given to buy local.

### FIN66/18 Resolutions

That the Finance, Audit and Risk Sub-committee:

1. Receives and notes the ***“Procurement and Contract Management Internal***

**Audit Report”** staff report.

2. Accepts the commentary, including any follow-up actions, provided against each of the report’s recommendations by HBRC Executive staff.
3. Refers the **“Procurement and Contract Management Internal Audit Report”** to the Corporate and Strategic Committee for endorsement.

**Bailey/Benham  
CARRIED**

## 6. **Living Wage Implications Memorandum**

Jessica Ellerm spoke to the paper highlighting that:

- Potential benefits to paying living wage for the employee include recognition of the dignity and importance of work, no longer having to work multiple jobs and able to spend more time with their family. Intended benefits for the employer include reduced employee turnover, attraction of more highly skilled job applicants, lower rates of sickness and absence, and reputational gain.
- Request staff provide additional context around benefits for the C&S Committee’s consideration of whether the policy is deemed to be fit for weighting through tender assessment processes

## FIN67/18 **Resolutions**

That the Finance, Audit and Risk Sub-committee:

1. Receives and notes the Crowe Horwath **“Living Wage”** memorandum and staff report.
2. Accepts the commentary provided by HBRC Executive staff in response to the Crowe Horwath memorandum.

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

3. 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.
4. Recommends that Council:
  - 4.1. Participates in and continually monitors results of the Public Transport Operating Model review and/or any central government policy changes that necessitate the reassessment of the GoBus contract to align with legislation and its own internal policies accordingly.
  - 4.2. Requests that staff amend Council’s procurement policy to give weighting to contractors who are paying the living wage, alongside other important factors such as environmentally friendly business practices and overall affordability, in Tender evaluation processes.
  - 4.3. Requests that Council’s procurement policy is published on the HBRC website (in line with the Procurement Review recommendations from Crowe Horwath).
  - 4.4. Undertakes an exercise to determine the Hawke’s Bay living wage.

**Dick/Kirton  
CARRIED**

**Dick/Kirton  
Against Bailey/Barker  
CARRIED**

## 7. Water Management Internal Audit

Martin Solomon (Crowe Horwath) introduced the item, including an overview covering:

- Lack of real understanding of roles and responsibilities amongst regional council and TLA staff
- Over time, all areas should be monitored, and a system to effectively monitor and report is proposed in the coming financial year to address the issues discussed in the report.
- Currently working on TANK plan change provisions with a particular focus on Drinking Water supply.
- Range of risks, practises and protocols will be addressed by RMIS and several of the projects recommended by the internal audit report have commenced.
- Request for a diagram and presentation of the new Organisational Structure to be provided to the C&S meeting with reference to implementation of the water management audit recommendations.
- Clear concern raised the Audit report around Resource Consents however Liz Lambert reassured the sub-committee that the high risks identified are already being addressed and the remainder will be completed within the next calendar year.

### FIN68/18 Resolutions

That the Finance, Audit and Risk Sub-committee:

1. Receives and notes the Crowe Horwath Water Management Internal Audit report.
2. Accepts the commentary, including any follow-up actions, provided against each of the report's recommendations by HBRC Executive staff.
3. Requests that staff present the Crowe Horwath Water Management Internal Audit report, including the commentary and any follow-up actions, provided against each of the report's recommendations by HBRC Executive staff at the 13 June 2018 Corporate and Strategic Committee meeting.
4. The Finance, Audit and Risk Sub-committee recommends that the Corporate and Strategic Committee requests a comprehensive report on progress responding to the Crowe Horwath Water Management Internal Audit report findings and recommendations to the 3 October 2018 Corporate and Strategic Committee meeting.

**Kirton/Barker  
CARRIED**

## 9. HBRIC Ltd and Napier Port Valuations

Manton Collins spoke to the item highlighting:

- HBRC has to revalue HBRIC Ltd and Napier Port every 3 years
- HBRIC Ltd will use Flagstaff materials for the valuation of Napier Port given the work done for the capital funding options
- Sufficient budget set aside for a full valuation of both entities.

### FIN69/18 Resolutions

1. That the Finance, Audit and Risk Sub-committee receives and notes the ***“HBRIC Ltd and Napier Port Valuations”*** staff 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 and persons likely to be affected by or to have an interest in the decision.

- 2.2. Recommends to Council that it uses the Napier Port valuation provided by HBRIC Ltd as the basis for the valuation of HBRIC Ltd, and considers undertaking a further valuation of HBRIC Ltd and Napier Port in the 2019-20 financial year.

**Benham/Barker  
CARRIED**

## **8. Proposed 2018-19 Internal Audit Programme**

- Suggested that a re-audit of Water Management be carried out in the last quarter of 2018-19 financial year
- Suggested that Treasury be delayed to the 2019-20 financial year.

## **FIN70/18 Resolutions**

That the Finance, Audit and Risk sub-committee:

1. Receives and notes the **“Proposed 2018-19 Internal Audit Programme”** staff report.
2. Agrees to the schedule of Internal Audits to be carried out during the 2018-19 financial year, being:
  - 2.1. Health and Safety
  - 2.2. Data Analytics
  - 2.3. Business Continuity and Disaster Recovery Planning
  - 2.4. Water Management Internal Audit re-run (q4)
3. Agrees to delay the Treasury Internal Audit to the 2019-20 financial year.

**Kirton/Bailey  
CARRIED**

*Cr Alan Dick left the meeting at 10.52am.*

*The meeting was adjourned at 10.53am and reconvened at 12:19pm.*

## **10. Local Government Act Section 17a Reviews**

Jessica Ellerm updated the committee on the S17a reviews. Discussions traversed:

- Feedback from Executive in terms of prioritisation of a work program to satisfy S17a and the general view was that a number of reviews have been done in recent years, particularly through the LTP process
- Priority for Council to be repurposing those reviews and incorporating any Section 17a requirements.
- Staff to continue reviews in accordance with S17a requirements and continue to seek feedback from sub-committee.

## **FIN71/18 Resolutions**

That the Finance Audit & Risk sub-committee:

1. Receives and notes the **“Local Government Act Section 17a Reviews”** staff report
2. Agrees the recommended work programme as proposed.

**Bailey/Dick  
CARRIED**

**11. Resource Management Information System Implementation Update**

Jessica Ellerm introduced the update, highlighting change of timeframes.

- A reforecast completed and included in the LTP, with project on track to meet revised timeframes with “go live” date in November 2018.

**FIN72/18 Resolution**

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

**Bailey/Kirton  
CARRIED**

**12. David Benham Resignation**

The Chair accepted the resignation of David Benham and thanked him for his valuable contributions, including his helpful insights and expertise over the years.

**FIN73/18 Resolution**

That the Finance, Audit and Risk Sub-committee receives and notes the resignation of David Benham as independent member, effective 6 June 2018.

**Bailey/Kirton  
CARRIED**

**13. June 2018 Update on the Sub-Committee Work Programmes**

Jessica Ellerm indicated that this is the last meeting for this financial year and sought feedback on whether or not to expand the work program to include a summary financial review on a regular basis.

**FIN74/18 Resolution**

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

**Kirton/Benham  
CARRIED**

**14. Proposed 2018-19 Council Insurance Programme**

**FIN75/18 Resolution**

That Council excludes the public from this section of the meeting, being Agenda Item 14 Proposed 2018-19 Council Insurance Programme 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 2018-19 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).

**GROUND 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/Kirton  
CARRIED**

***The meeting went into public excluded session at 12:35pm and out of public excluded session at 12:37pm***

**Closure:**

There being no further business the Chairman declared the meeting closed at 12:37pm on Wednesday, 6 June 2018.

Signed as a true and correct record.

**DATE:** ..... **CHAIRMAN:** .....