Meeting of the Finance Audit & Risk Sub-committee

Date: Wednesday 19 September 2018

Time: 9.00am

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

Agenda

HAWKE'S BAY REGIONAL COUNCIL

FINANCE AUDIT & RISK SUB-COMMITTEE

Wednesday 19 September 2018

SUBJECT: FOLLOW-UPS FROM PREVIOUS FINANCE AUDIT & RISK SUB-COMMITTEE MEETINGS

Reason for Report

1. In order to track items raised at previous meetings that require follow-up, a list of outstanding items is prepared for each meeting. All follow-up items indicate who is responsible for each, when it is expected to be completed and a brief status comment. Once the items have been completed and reported to the Committee they will be removed from the list.

Decision Making Process

2. Council is required to make every decision in accordance with the Local Government Act 2002 (the Act). Staff have assessed the in relation to this item and have concluded that as this report is for information only and no decision is required, the decision making procedures set out in the Act do not apply.

Recommendation

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

Authored by:

Leeanne Hooper
PRINCIPAL ADVISOR GOVERNANCE

Approved by:

Jessica Ellerm
GROUP MANAGER
CORPORATE SERVICES

Attachment/s

⇩**1**   Followups for Sept 2018 FA&R meeting

Follow-ups from Finance, Audit & Risk Sub-committee Meetings

6 June 2018

	Agenda Item	Follow-up / Request	Person Responsible	Status Comment
1	Item 5 - Procurement and Contract Management Internal Audit	Request that copies of Works Group audits be distributed to the sub-committee – and agenda item for September meeting	Jessica Ellerm	Works Group audits do not extend to the same scale as HBRC. It is intended that recent internal audit findings be pushed out to WG to ensure consistency within the group. i.e. procurement. Future internal audits will now include WG where possible i.e. Health & Safety
2	Item 6 - Living Wage Implications Memorandum	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	Jessica Ellerm	Additional context provided to C&S Committee meeting held 13 June 2018.
3	Item 6 - Living Wage Implications Memorandum	Council's procurement policy to be published on the HBRC website	Jessica Ellerm	Policy now published on HBRC website.
4	Item 6 - Living Wage Implications Memorandum	Undertakes an exercise to determine the Hawke's Bay living wage.	Jessica Ellerm	C&S Committee meeting 13 June 2018 elected not to proceed with this exercise.
5	Item 7 – Water Management Internal Audit	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.	Liz Lambert	Presentation was made to 13 June Corporate and Strategic Committee meeting.
6	Item 8 - Proposed 2018-19 Internal Audit Programme	Re-audit of Water Management be carried out in the last quarter of 2018-19 financial year	Jessica Ellerm	Scheduled for Q4 2018-19.
7	Item 13 - June 2018 Update on the Sub-Committee Work Programmes	To expand the work program to include a summary financial review on a regular basis - ongoing	Jessica Ellerm	A financial summary is in development, along with a revamp of Council reporting and it is anticipated this will be available in Q3 2018-19.
8	HBRC Works Group Update	Update on Works Group activities will be presented to the sub-committee six monthly and annually to the Corporate and Strategic Committee	Hamish Fraser	Item on 3 October C&S agenda and first 2019 FA&R agenda

HAWKE'S BAY REGIONAL COUNCIL

FINANCE AUDIT & RISK SUB-COMMITTEE

Wednesday 19 September 2018

Subject: SIX MONTHLY REPORT ON RISK ASSESSMENT AND MANAGEMENT

Reason for Report

1. To provide the Sub-committee with the six monthly review of the risks that Council is exposed to and the mitigation actions in place to manage Council's risk profile.

Background

2. The Sub-committee last considered the risk management report at its meeting held 7 March 2018.

3. Following on from a series of risk management workshops held in July/August and executive interrogation of findings, high consequence risks and upwards trending risks, **attached** is the latest risk management update for Councillors review.

4. At the previous meeting, Councillors requested clearer indication of any updates to the risks, plus a consolidation of risks within the register.

5. Key changes to the register are listed/tabled below, along with a proposed update of increased capacity and focus in risk management process going forward.

6. These changes are in addition to reassessment of current practices and treatment options which have also been updated in the register. Risk descriptors have also been updated to better reflect the actual risk to Council.

Key Changes

7. Risk owners have been altered to reflect reorganisation and creation of new roles as follows.

Risk	Previous Risk Owner	New Risk Owner
Health & Safety of Staff and Public	Human Resources Manager	Group Manager - OCEC
Disruption to Business Continuity	Group Manager – Corporate Services	Group Manager - OCEC
Co-Governance of Natural Resources	Group Manager – External Relations	Te Pou Whakarae
Failure to Meet Unrealistic Public Expectations	Group Manager – Strategic Planning	Group Manager - OCEC
Ability for Council to Deliver on Planned Projects	Group Manager – Corporate Services	Group Manager – Strategic Planning
Ability to Retain and Attract Appropriately Skilled Staff	Human Resources Manager	Chief Executive Officer
Risk of Staff Providing Incorrect or Sensitive Information to Stakeholders	Group Manager – External Relations	Group Manager - OCEC
Biosecurity Incident	Group Manager – Asset Management	Group Manager – Integrated Catchment Management

8. Two previous risks have been cascaded into other risks as listed following.

Previous Risk	Cascaded Into Current Risk(s)
HBRIC Limited	Investment Portfolio
Social Media	• Failure to Meet Public Expectations • Failure to Establish and Maintain Relationships • Risk of Staff Provided Incorrect or Sensitive Information to Stakeholders

9. Risk trend ratings have been amended as follows.

Risk	Previous Trend Rating	New Trend Rating	Commentary
Preparedness of CDEM and HBRC staff to respond in an emergency	↔	↑	Recognition of CDEM being in a temporary facility while main facility is being upgraded
Co-governance of Natural Resources	↔	↑	Recognition of recent volatility of relationship with RPC group
Implementation of National Policy for Freshwater Management (NPSFM)	↔	↑	Recognition of Minister's intention to initiate significant reform of freshwater regulations

10. Residual Risk assessments have been amended as follows:

Risk	Previous Assessment	New Assessment	Commentary
Preparedness of CDEM and HBRC staff to respond in an emergency	*Effectiveness:* Effective	*Effectiveness*: Satisfactory	Recognition of CDEM being in a temporary facility while main facility is being upgraded, ability to respond is not at full capacity during this time.
Failure to meet unrealistic public expectations	*Effectiveness:* Effective Risk Factor: Low	*Effectiveness:* Satisfactory Risk Factor: Moderate	Recognition of potential for public and stakeholders to have misaligned expectations of Council's service delivery requirements, particularly due to recent ambitious LTP programme.
Ability to retain and attract appropriately skilled staff	*Effectiveness:* Effective *Likelihood:* Unlikely	*Effectiveness:* Satisfactory *Likelihood:* Likely	Recognition of number of roles currently and to be advertised. Ability to recruit for roles is proving difficult across many groups.

Risk Management Process and Focus

11. Council has recently recruited two new roles which will both have varying levels of input into the risk management process. It is intended that this process be given additional visibility within the organisation with more frequent and accountable reporting.

12. The Group Manager – Office of Chief Executive and Chair will oversee and take responsibility for delivery of the process. The Principal Advisor Organisation Performance has been allocated a set of risks to share the current workload with the Corporate Accountant. Allocation has been based on internal roles and knowledge.

13. Both will provide future input and facilitation of the process with the intention of driving momentum and accountability within the organisation.

14. To date both have met with all Executive to discuss a work programme going forward, with initial steps being to create an Action Register which will be agreed to and will ensure risk owners are held accountable to their action points. While this process has

assisted to drive actions internally, it is recognised that there is a lack of formal recording and accountability. The register will sit as a layer above the risk matrix.

15. Actions will be priority based with particular focus on level of risk appetite for all key strategic risks.

16. It is intended that current process, whereby six monthly workshops are held, continue to facilitate discussion and brainstorming within the organisation. The current risk register format will be used for reporting of risks and mitigation strategies.

17. Once this new process has gained maturity, staff recommend that an independent review be proposed under the current Crowe Horwath internal audit programme. As the internal audit programme has already been decided for the current financial year, it is expected that this fall under the 2019-20 financial year.

18. The intention of this review will be to gain comfort over current processes and allow for improvements to be implemented. It is intended that a Risk Management policy update be presented accordingly.

Project Risks

19. Reporting on project risks has been incorporated into the new Project Management Office (PMO). The PMO have created a reporting format for project risks that is in line with the current risk management reporting framework.

20. It is noted that the PMO and Risk Management team will meet on at least a quarterly basis to discuss any Project risk trends that may need to be incorporated into the Council wide strategic risk register.

Decision Making Process

21. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:

    21.1. The decision does not significantly alter the service provision or affect a strategic asset.

    21.2. The use of the special consultative procedure is not prescribed by legislation.

    21.3. The decision does not fall within the definition of Council's policy on significance.

    21.4. The persons potentially affected by this decision are staff or persons in the community that rely on Council services.

    21.5. The decision is not inconsistent with an existing policy or plan.

    21.6. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and make a decision without consulting directly with the community or others having an interest in the decision.

Recommendations

1. That the Finance, Audit and Risk Sub-committee receives and considers the "Six Monthly 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 Sub-committee's confidence that the risk assessment processes are appropriate and adequately identify and assess organisational risks

    Or

2.3.   Advises staff of the specific risks (following) that the Committee believes require reassessment to confirm the level of risk is accurate.

2.3.1.   …

2.3.2.   …

Authored by:

**Melissa des Landes
CORPORATE ACCOUNTANT**

Approved by:

**Jessica Ellerm
GROUP MANAGER
CORPORATE SERVICES**

Attachment/s

⇩**1**   Risk Management Register

Risk Descriptor - details the main component and provides an example of a risk(s) that may be attributable	Risk Type	Gross Risk (no effective measures in place)			Current Practice/Strategy (Avoidance and mitigation measures)	Residual Risk (considering measures in place)				Management Options	Risk Owner	Trend
		Consequence	Likelihood	Factor	Description	Effectiveness	Consequence	Likelihood	Factor			↑ ↔ ↓
Human Health impacts from contamination of drinking water - death or illness as a result of render water unusable to consume and/or use for food preparation. Further impacts may include impacts to agricultural and pastoral activities	Public Health Organisational Reputational Environmental Financial	Extreme	Likely	Extreme	* Increased monitoring of bores and testing of water supply - targeted testing of consents situated within area near known municipal drinking water bores * Operation of regional Joint Working Group & Joint Governance Group for drinking water * TANK plan change with new regulations and rules recommended by JWG * Enforcement of consents (including wastewater, stormwater, drinking water & other consents) * Focus on on going open communication between relevant authorities * Increased resourcing for consents/compliance to address need for greater physical monitoring of bores (also recommended by compliance review) * Voluntary bore owner assessment/remediation - supply of report of security to HBRC * Internal audit on critical water infrastructure assets monitoring complete with second review due Q4 2018/19 * Inclusion of source protection zones in TANK	Effective	Extreme	Highly Unlikely	Moderate	* Continue with better collaboration and communication between relevant stakeholders (including District/City Councils and Health Boards) * Potential for advocacy role and clarification is established between all stakeholders as to where responsibility lies * Review of HBRC disclaimers and consents to ensure clarity * Review of risk based approach to water monitoring * Set up a contingency fund to contract in resource to help with monitoring if needed * Review of regional plan to provide for monitoring for ongoing life of bore * Additional surveying of bores - proposal of environmental officer dedicated solely to water * Application of NES for drinking water (additional control of activities that may have an affect on public drinking water supplies) * Provide clarity to self supply and small scale bore owners i.e. lifestyle blocks * Provide feedback to influence Water Information New Zealand * Drinking water committee to develop protocol on contamination from arsenic	Group Manager - Regulation	↔
ICT Failure - Business Wide. Risk being loss of data and/or inability to access ICT systems. Causes could include cybersecurity attack, intentional and malicious behaviour by staff or a significant hardware failure.	Organisational Reputational	Extreme	Near Certain	Extreme	* Server refresh cycles and server room restrictions * Antivirus software and Firewalls * Back ups (including off site backups) * ICT acceptable use policy * Access control * Generator * Robust vendor selection process * Independent cyber security audit * Staff training including regular reminders to staff * Cyber security insurance (also covers Cloud)	Satisfactory	High	High	High	* Cyber security risk is increasing - ensuring staff are aware of the risks and how to detect any scam activity * Formalised incident reporting and assessment * Repeat of previously held "phishing training" * Independent audit on appropriate controls in place (to include penetration testing) * Improved staff wide understanding of ICT backup plans * Improved staff consultation when implementing or altering an ICT system or process * Reduce the risk of hardware failure affecting services * Option for text alert system for generator failure * Reduce reliance on one staff member holding knowledge of systems	Group Manager - Corporate Services	↔
Health and Safety of Staff and Public - staff working in the field or otherwise. Staff working alone and/or in potentially dangerous locations and terrain. Aggressive people and animals.	Health and Safety Organisational Reputational	Extreme	Likely	Extreme	* E-Road. Vehicle management and GPS system * Improved structure and formality around working alone including buddy system * Provide appropriate emergency location devices for staff working in remote locations or other high risk work situations * Regular Health and Safety training and policies in place. Working alone policy has been modified. * Appropriate PPE always provided * Site safety plans - to be filled out on a daily basis * Liability Insurance * Development, and regular review of Codes of Practice (COP) for safe work practices across the full range of Council work * Corporate Risk Management Framework (H&S Committee) * Monitoring of workplace stress, vitae support and stress and resilience training * SiteWise for contractors	Effective	High	Unlikely	Moderate	* Staff to consider the use of on person recording devices * Option to capture training and an 'action register' to be created when staff are required to upgrade/renew training * Investigate benchmarks to ensure we are meeting standards as a minimum (i.e. 4WD training) * Creation of organisation wide risk averse and continous improvement culture * Further review the replacement of ATV's with LUV's for various field staff use as an alternate option * Regular review and updating of COP's * Health & Safety audit currently underway - staff to review findings once report received * Review of H&S for contractors including induction requirements and exemption processes * Review current JSA process and consider options for efficiency such as a standardised template * Physical auditing of sights to ensure that correct processes are being followed * Ensure officers are aware of their roles and responsibilities (both staff and Counsellors)	Group Manager - OCEC	↔
Preparedness of CDEM and HBRC staff to respond effectively in a regional emergency - communication, resources and capability being adequate	Public Health and Safety Organisational Reputational	Extreme	Likely	Extreme	* Trained staff on how to respond in an emergency to ensure safety of others and themselves * Activation exercises * Joint approach with other local Council's * Relationships with businesses who have resources that could be borrowed in an emergency * Regular testing of buildings and equipment to ensure minumum requirements are met, and will function as expected during an emergency * Relationship development with other agencies * Alterations of current response facility to commenced in July to ensure 100% Level 4 Building Standards - expected move in date early 2019 * Increase in number of people who are trained to a more advances level * Two audits have corrective actions being worked on, including improvement of facilities and training. Additional resource now recruited. * Disaster work with other stakeholders to secure other buildings	Satisfactory	Moderate	Unlikely	Moderate	* Continue to build on relationship management with other stakeholders * Dedicated CDEM communications advisor currently being recruited * Continue to educate public using social media and other forums on what to do in case of an emergency. * Enact any findings from post exercise/event * Progress community resilience plans across high risk communities and extra resource now in place * Shorter but higher frequency of training to ensure that staff are still relevant and able to attend training sessions * Continue with targeted training * CDEM considerations to be understood and included in various projects	Group Manager - Civil Defence	↑
Infrastructure Failure - flood control and drainage assets failure resulting in loss and/or hardship to community and assets	Organisational Financial Reputational Public Health & Safety	Extreme	Likely	Extreme	* Ongoing data collection to enable return period estimates to be improved over time * Professional engineers and hydrologists * Best design practice followed * Review of levels of service undertaken when required * Disaster damage reserves held in line with Council policy * Asset management plans currently being finalised * Recent review of hydrometric network, no major issues flagged	Effective	High	Unlikely	Moderate	* Ensure asset management plans are relevant and up to date * Continuing staff development * National guidelines for asset risk and condition - standardised flood protection * Consider secondments or national pool of qualified engineers for high demand times when specialist knowledge is required	Group Manager - Asset Management	↔
Risk of contaminated site contaminating aquifer - Pollutants spilling out into aquifer resulting in compromised water safety	Public Health Organisational Reputational Environmental Financial	Extreme	Unlikely	Extreme	* Maintenance of 'HAIL' register * Strategic monitoring and review * Control of contaminated soils through consents * Enforcement of consents with provision of certain actions to be addressed * Physical remediation with site monitoring and enforcement * Compliance team review completed and additional resourcing appointed	Effective	High	Unlikely	Moderate	* Review of hazards management programme * Education and encouragement of correct disposal methods - consents team get large influx of queries, option to create a FAQ sheet * Create a pamphlet on good storm water guidance practice * Engage in a collaborative approach with other TLA's * Monitoring reports * Encourage self reporting * Tightening up of source protection zones and push for further bore security	Group Manager - Regulation	↔
Disruption to Business Continuity - Inability to perform business functions due to staff, building or equipment loss, or system failure	Organisational Reputational	High	Likely	High	* Appropriate insurance cover * Contingency in place for provision of office space and equipment * RMG wide quality management system * ICT backups * Business Continuance Plan in place (reviewed annually) * Cyber security insurance implemented * Avoid using products and services that have a single operator * Business Continuance Review recently conducted * Implementation of Iris to assist with accessibility of paperless information	Satisfactory	High	Highly Unlikely	Moderate	* Regular review of Business Continuance Plan * Improved staff wide training and awareness * Creation of 'one pager' go to guide that staff can refer to in the incidence of risk to Business Continuance * Centralised database of staff personal contact details in the event of a business outage * Staff to review findings of recent review and refresh BCP within the organisation * New dedicated ownership proposed in Business Continuance * Ensure staff are aware of existence of BCP and where to find it	Group Manager - OCEC	↔

Risk Descriptor - details the main component and provides an example of a risk(s) that may be attributable	Risk Type	Gross Risk (no effective measures in place) — Consequence	Likelihood	Factor	Current Practice/Strategy (Avoidance and mitigation measures) — Description	Effectiveness	Residual Risk (considering measures in place) — Consequence	Likelihood	Factor	Management Options	Risk Owner	Trend
Co-governance of natural resources - Goals and/or objectives may not align. Relationships and communication channels with tangata whenua and partners may break down.	Environmental Organisational Reputational	High	Likely	High	* Work programme - resource in place with responsibilities for progressing co-governance issues * A collaborative process with Council working to improve relationship with Treaty Claimant Groups and Tangata Whenua * Strategic overview of how "nuts and bolts mesh" * Creation of Maori Partnerships Group	Effective	Moderate	Unlikely	Moderate	* Continue to build on relationship management with relevant stakeholders to ensure collaboration * Recognition of 80% voting rule may allow for delays in decision making processes * Code of Conduct to be extended to non-elected members * Provide clarity around legislative function around what HBRC does under RMA	Te Pou Whakarae	↑
Investment Portfolio - ability to receive expected dividends. Financial reliance on dividends from Napier Port in time of planned expansion. Risk of Wharf 6 consent not being granted. HBRIC Limited with renewed mandate and directorship.	Financial Organisational Reputational	High	Likely	High	* Treasury Policy * Funding strategy development * Napier Port holds insurance for material damage and business interruption * Public consultation on Port Funding Options to diversify risk pool and fund expansion * Engagement of fund manager(s) to diversify funding mix and increase returns * Council approves SOI and appointment of Directors for HBRIC Limited. Regular reporting from HBRIC to Council.	Satisfactory	High	Unlikely	Moderate	* Alter funding mix to reduce reliance on Napier Port Dividend * Continue with communications strategy and consultation on Port Transaction * Increase internal treasury performance reporting * Continued development of appropriate policy	Group Manager - Corporate Services	↑
Failure to establish and maintain relationships and communication channels with key stakeholders/partners - TLA's, government, ratepayers, business partners, funding providers, media, Maori	Organisational Reputational	High	Likely	High	* Development of protocols/guidelines for staff * Establishment of scheduled reporting and meeting appointments with key stakeholders * Creation of Maori Partnerships Group * Agreement to Memoranda of Understanding where appropriate and mutually aageed * Formation of joint working groups * Additional Tangata Whenua funding requested in LTP * CRM (Customer relations database)	Effective	Moderate	Unlikely	Moderate	* Regular and proactive communication with stakeholders to maintain and build trust and enhance two way communication * Networking/relationship building training to be provided to staff * Additional staff visibility at relevant events * Ensuring stakeholders (i.e. suppliers) understand our business and it's requirements	Chief Executive Officer	↔
Failure to meet unrealistic public expectations - insufficient clarity around organisation's financial position, priorities and strategy. Diffusion of resourcing and capability. Public expectations may be misinformed.	Organisational Reputational	High	Likely	High	* Regular media releases * Strategic plan refresh * Public consultation * Engagement with Councillor's (and other stakeholders) on specific issues to ensure clear communication strategy * Proactive information sharing i.e. media releases and reporting, publication of Works Group work programme in public spaces * Continuous improvement of internal alignment of strategy and purpose * Continue to differentiate roles and responsibilities between HBRC and TA's * Strategic plan refresh * Programme of communication with farmers and asset management plans	Satisfactory	Moderate	Unlikely	Moderate	* Cross organisational engagement plan * Provision of clear breakdown of costs and resource implications to Councillors * Communications team to promote "good news stories" and greater visibility of outcome reporting * General work programme to better engage with stakeholders * Collaborative work programme with CE's and Chairs regionally	Group Manager - OCEC	↔
Implementation of National Policy for Freshwater Management (NPSFM) - risk that aspects of policy do not meet minimum standards	Organisational Environmental Reputational	High	Likely	High	* Annual Report and Implementation Plan * Liaision with other councils and agencies (MFE and MPI) for guidance on NPSFM implementation * Long Term Plan and Annual Plan * On-going monitoring programme * Heavy involvement in relevant stakeholder groups * Recent reorganisation has aided in facilitating better work across organisation	Effective	Moderate	Unlikely	Moderate	* Continue with regular monitoring to ensure that minimum requirements are being met * Ensuring that planning processes are robust and fit for purpose * Have an adaptive cycle to ensure that changes can be made if required * Maintain support of Overseer model or find alternative * Resourcing required in this space, options to drive recruitment or outsource to consultants * Project review to assess correctness of approach	Group Manager - Strategic Planning	↑
Ability for Council to deliver on planned projects - Annual Plan/LTP projects. Both minor and major projects and strategies. Risk of resourcing constraints including staff time being diverted elsewhere.	Environmental Organisational Reputational	Moderate	Likely	High	* Ensuring appropriate project plan is in place * Strategic and suitably qualified staff to ensure projects are executed properly * Ensuring risks are adequately managed so staff time isn't diverted elsewhere * Regular communication to stakeholders including public to ensure expectations are met * New Project Management Office (PMO) implemented with dedicated resource in this space * Pilot projects underway with planned reporting to future Council meetings * Increased staff training on Project Management principles * Consideration of impact or influence of 3rd parties who may be misaligned with project goals	Effective	Moderate	Unlikely	Moderate	* Continue to monitor projects to ensure deadlines are being met * Consider formalising project management discipline/training to all staff involved in projects * Full clarity of ownership on projects * Consider resourcing within whole of Council and ability to move staff within projects	Group Manager - Strategic Planning	↑
Ability to retain and attract appropriately skilled staff - several roles require highly technical skills. Required service levels may be impacted as a result of not being able to fill roles and/or staff resignations	Financial Organisational Reputational	Moderate	Likely	Moderate	* Remuneration at market rates * Regular professional development training provided to staff where applicable * Advertisement of roles outside of region to attract staff with specific skills. Recruitment consultants engaged where required * Strong staff culture including flexible working hours, open door policies * Ensuring ongoing training and staff advancement, and promote internally where possible * Cross skilling of staff where possible * Introduction of staff performance management system and review process	Satisfactory	Moderate	Likely	Moderate	* Emphasis on maintaining strong staff culture * Staff satisfaction and engagement survey to be repeated * Ensuring ongoing competitiveness in remuneration by using market surveys * Reward staff where possible and invest in their training and wellbeing * Establish clarity of roles * Provide flexibility in roles where possible * Branding and image opportunities * Remuneration flexibility (i.e. training, benefits etc.) * Review other options for recruitment such as a finders fee, or bonding opportunities	Chief Executive Officer	↑
Ability to maintain awareness and understanding of relevant legislation - inability to comply with consents, statute and national standards.	Organisational Reputational	High	Likely	High	* Regular training and monitoring of legislation. * Ability for staff to make submissions on legislation changes * Independent advice provided when needed * LGNZ membership. Other relevant professional/government body memberships * RMG Improvement register logs and prioritises impending legislative changes	Effective	Moderate	Unlikely	Low	* Ensure staff obtain advice when and where required * Ensure training is provided * Model and extend RMG improvement register to cover business wide legislative changes * Cross organisational ownership * Central database that provides updates on relevant legislation changes	Group Manager - Strategic Planning	↔
Risk of staff providing incorrect or sensitive information to stakeholders - Either intentionally or unintentionally. Litigation arising as a result	Financial Organisational Reputational	Moderate	Unlikely	Moderate	* Ensuring staff are adequately trained before providing information * Peer review of public documents * Critical documents to be externally reviewed * Professional indemnity and Public liability insurances are held * Quality control of information held (i.e. passwords)	Effective	Low	Unlikely	Low	* Implement privacy awareness training so staff are aware of their roles and responsibilities, including document management training and negligence * Repeat previously held LGOIMA training session * Development of CRM database	Group Manager - OCEC	↔
Biosecurity Incident - Examples include a large scale biosecurity incident in Hawke's Bay such as foot and mouth outbreak. Beetle infestation. Pest control toxins leaked into agricultural food chain. Risk of failure of other organisations to fulfil their responsibilities.	Public Health Organisational Reputational Environmental Financial	High	Unlikely	High	* HBRC to act in a support role (MPI) however good relationships maintained with Central Government with regard to possible incident responses * Approved contractors to undertake biosecurity work * Auditing of farmers handling and distributing their own bait stations * Posion handling and bait distribution specification standards * Cape to City project - elimination of pests * Proactive communication with stakeholders * Implementation of on-farm biosecurity protocol	Effective	Moderate	Unlikely	Moderate	* Continue to maintain good relationships with Central Government * Investigate training of staff on how to respond to biosecurity incident * Proactive agreement with MPI. Regional biosecurity forum * Communication to staff regarding proper protocols in the event of an outbreak (i.e. location of stock) * Review learnings of Microplasma Bovis repot * Review/increase activity in communication with stakeholders	Group Manager - Integrated Catchment Management	↔

Risk Descriptor - details the main component and provides an example of a risk(s) that may be attributable	Risk Type	Gross Risk (no effective measures in place)			Current Practice/Strategy (Avoidance and mitigation measures)	Residual Risk (considering measures in place)				Management Options	Risk Owner	Trend
		Consequence	Likelihood	Factor	Description	Effectiveness	Consequence	Likelihood	Factor			⬆ ⬌ ⬇
Accuracy and integrity of financial information - ensuring statutory returns are filed accurately. Information provided to stakeholders is factual.	Financial Reputational	Moderate	Unlikely	Moderate	* Internal and External audit held routinely * Training of finance staff held frequently * Training sessions held with non-finance staff by finance staff * Fraud policy and training * Segregation of duties and correct authorisation levels in place - reviewed annually * Peer review of work	Effective	Moderate	Unlikely	Low	* Peer reviews to be conducted when non-finance staff are responsible for producing financial information * Continue with internal and external audits and ensure recommendations are implemented and followed * Improve frequency and readability of both reporting internally and to Council	Group Manager - Corporate Services	⬌
Inadequate Contractor Management - resulting in unnecessary costs and/or insufficient output or quality. Poor or unsafe contractor performance.	Organisational Reputational	Moderate	Unlikely	Moderate	* Appropriate contracts in place as per procurement policy * Regular and increasing audits of contractor performance and safety * SiteWise to help ensure quality and compliance of contractor * Standardised contract available for staff to use * Procurement and contract management audit complete with informal work programme on findings underway including development of templates	Effective	Low	Unlikely	Low	* Ensure staff continue to follow correct procurement procedures * Continue to ensure contractors are inducted as per HBRC policies * Implement formalised contractor performance assessment process * Assessment of opportunities to have a "preferred supplier" where possible * Investigate joint resource opportunities for procurement/contract manager role	Group Manager - Corporate Services	⬌

Item 5

Attachment 1

HAWKE'S BAY REGIONAL COUNCIL

FINANCE AUDIT & RISK SUB-COMMITTEE

Wednesday 19 September 2018

Subject: INTERNAL AUDIT UPDATE

Reason for Report

1. To provide the Sub-committee with an update on the status of previous and pending internal audits.

Background

2. At its meeting on 6 June 2018, the Sub-committee agreed that the internal audit work programme for the 2018-19 financial year would include Health & Safety, Data Analytics, Business Continuance and Water Management (revisited).

3. Field work has been completed for the Health & Safety audit however due to the HR Manager being on leave, this report has been deferred to the next Sub-committee meeting scheduled for 21 November 2018.

4. Staff originally intended to present the Data Analytics audit to the 21 November meeting, however staff are requesting feedback from the Sub-committee as to whether they would still like this presented at that meeting, or if they would like this deferred to the first meeting in 2019 (date TBC).

Previous Internal Audits

5. The Crowe Horwath internal audit programme is proving successful within Council, with some solid feedback and recommendations received from our internal auditors.

6. As a reminder, under the new internal audit programme, to date Council has completed Data Analytics, Water Management, Procurement/ Contract Management with Living Wage extension.

7. Staff have already provided the Sub-committee with follow up reports on Data Analytics and Water Management, with future revised audits due later in the current financial year.

8. The Procurement/ Contract Management Audit provided some insightful review points. Council is currently working with other Hawke's Bay Council's to develop procurement templates which will be implemented within the business, as a starting point. There is still work to be done in this space which has been deferred due to capacity constraints.

9. The Living Wage extension saw Corporate and Strategic Committee agree to await the results of the Public Transport Operating Model (PTOM review) being conducted at a national level. Council has been actively providing information to the agency involved in the PTOM review. Latest feedback from the Ministry of Transport has been that the initial research is in the latter stages of being finalised and agreed by the Minister. Council will continue to feed back any updates to this Sub-committee as a result of this review. In addition Council is participating in a national review of the living wage, specifically in regards to Council employees and contractors, and will report back to Council in due course.

Hawke's Bay Joint Approach

10. As part of the original decision making to undergo a joint approach to the procurement of the Internal Audit programme, staff from all five local Councils met on 20 August 2018 to share and collaborate on any review findings where possible.

11. Council also provided those other Council's with findings from the Water Management report for their staff to assimilate internally.

12. Council's also recognised there would be benefits in aligning any reviews that were being conducted simultaneously, whereby findings may be similar. Procurement and Contract Management was one audit identified in particular with opportunities for information and cost sharing on implementation of the recommendations. Specifically, this relates to development of templates and training possibilities. A meeting to initiate this work has been scheduled for later in the year.

Decision Making Process

13. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

Recommendation

That the Finance, Audit and Risk Sub-committee:

1. Receives and notes the *"Internal Audit Update"* staff report.

2. Agrees to defer the *"Data Analytics Internal Audit"* report to the first meeting in the 2019 calendar year (date TBC).

Authored by:

Melissa des Landes
CORPORATE ACCOUNTANT

Approved by:

Jessica Ellerm
GROUP MANAGER
CORPORATE SERVICES

Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL

FINANCE AUDIT & RISK SUB-COMMITTEE

Wednesday 19 September 2018

Subject: TREASURY REPORTING

Reason for Report

1. To provide the opportunity for the Finance, Audit and Risk Sub-committee (FARS) to have input into the development of ongoing treasury reporting.

Background

2. As per the treasury policy developed for the LTP the specific responsibilities of the FARC are:

   2.1 The FARC will oversee the implementation of the Council's borrowing and investment strategies and monitor and review the effective management of the treasury function, borrowing and investment activities.

   2.2 The FARC will ensure that the information presented to the Council is accurate, identifies the relevant issues and is represented in a clear and succinct manner.

   2.3 The FARC will discuss treasury matters on a quarterly basis.

   2.4 Responsibilities are:

      2.4.1 Recommending the Liability Management and Investment Policy and SIPO document (or changes to existing policy) to the Council

      2.4.2 Receiving recommendations from the Group Manager Corporate Service and make submissions to the Council on all treasury matters requiring Council approval

      2.4.3 Recommending performance measurement criteria for externally managed funds

      2.4.4 Review all matters concerning the SIPO as well as providing guidance and leadership on the appointment, management, monitoring and review of the appropriate Investment Manager

      2.4.5 Monitoring quarterly performance of externally managed funds and borrowing activity against benchmarks

      2.4.6 Approving allowable financial instruments

      2.4.7 Complete an annual review of all investments.

Discussion

3. Once the managed funds process has been completed staff will work on developing a treasury report which allows the FARC to complete the responsibilities above. This will include:

   3.1 Quarterly reporting from the fund manager/s with performance and benchmarking analysis as well as compliance with the HBRC SIPO and the strategic asset allocation below:

Sector	Benchmark %	Ranges %
NZ equities	15%	13% - 18%
International equities (fully hedged)	29%	25% - 34%
NZ property	3%	1% - 4%
International property (fully hedged)	3%	1% - 4%
Total growth assets	**50%**	**40% - 60%**
Cash and short term securities	5%	2% - 8%
NZ fixed interest securities	20%	15% - 24%
International fixed interest (fully hedged)	25%	23% - 28%
Total income assets	**50%**	**40% - 60%**

3.2 An update on the annual borrowing programme including the progress on the application to the LGFA

3.3 Ongoing risk assessment

3.4 Any other reporting required by the FARC

4 Staff will take note of any recommendations on the above and will prepare a draft template for treasury reporting to be brought back to next FARC

Decision Making Process

5 Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

Recommendation

That the Finance Audit & Risk Sub-committee receives and notes the *"Treasury Reporting"* staff report.

Authored by:

Manton Collings
CHIEF FINANCIAL OFFICER

Approved by:

Jessica Ellerm
GROUP MANAGER CORPORATE
SERVICES

Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL

FINANCE AUDIT & RISK SUB-COMMITTEE

Wednesday 19 September 2018

Subject: RESOURCE MANAGEMENT INFORMATION SYSTEM IMPLEMENTATION UPDATE

Reason for Report

1. To provide an update on progress with the implementation of the new Resource Management Information System software (IRIS).

Milestones and Progress Update

2. Consents and Compliance modules are on track for Go Live on or before 26 November 2018.

3. Water Information Services (WIS) has been run as a stand-alone work stream due to complexities. Although WIS is likely to be ready by the end of November, proposed delivery of this solution is delayed to avoid any potential disruption to services over the high risk weather period (November – April). The risk will be re-assessed early 2019 and a Go Live decision made once there is more certainty.

4. Solution planning for Incidents and Enforcements should began on 17 September, with Go Live scheduled for early February 2019.

Decision Making Process

5. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

Recommendation

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

Authored by:

Kahl Olsen
INFORMATION AND COMMUNICATIONS
TECHNOLOGY MANAGER

Approved by:

Jessica Ellerm
GROUP MANAGER
CORPORATE SERVICES

Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL

FINANCE AUDIT & RISK SUB-COMMITTEE

Wednesday 19 September 2018

Subject: ANNUAL REPORT UPDATE

Reason for Report

1. To provide the sub-committee with the opportunity to review and discuss the draft Annual Report for the year ending 30 June 2018, including discussing any significant matters with the Audit Director, Stephen Lucy.

Draft 2017-18 Annual Report

2. The on-site Audit work for HBRC has been completed, with final work to be completed off-site over the next few weeks.

3. The draft 2017-18 Annual Report is attached for review, as updated since the version presented to Council on 29 August 2018 adopted for Audit. This now includes comments from the Chair and Chief Executive, a report on Māori contributions to decision-making and updated group of activity highlights.

4. There are two outstanding matters still to be included to the draft Annual Report.

    4.1. ***Group Consolidation*** - Consolidated group financials are not included as the final audited financial statements from HBRIC Ltd have yet to be received. Audit NZ will provide an update on progress.

    4.2. ***HBRIC Ltd Valuation*** – At the 6 June Finance, Audit and Risk Sub-committee, 13 June Corproate & Strategic Committee and then 27 June Regional Council meetings the valuation was discussed and resolved that *"Uses the Napier Port valuation provided by HBRIC Ltd"*.

        4.2.1. Given the quantum of work PWC Ltd has since undertaken to provide Council and HBRIC Ltd with an independent review of various reports on the capital structure of Napier Port, staff have commissioned them to recommend to HBRIC an appropriate fair value assessment of the asset for the year ended 30 June 2018.

        4.2.2. Following the PWC book valuation of Napier Port for HBRIC Ltd, BDO Ltd will then undertake a high level review of HBRIC Ltd as an entity for Council's valuation purposes, as pertains to the calculation of management costs, etc.

5. The final audited Annual Report will be presented to Council for adoption on 24 October.

Decision Making Process

6. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

Recommendation

That the Finance, Audit and Risk Sub-Committee receives and notes the ***"2017-18 Annual Report Update"*** staff report.

Authored by:	Approved by:
Manton Collings	**Jessica Ellerm**
CHIEF FINANCIAL OFFICER	**GROUP MANAGER**
	CORPORATE SERVICES

Attachment/s

⇨**1**   2017-18 Annual Report as at 13 September 2018   Under Separate Cover

HAWKE'S BAY REGIONAL COUNCIL

FINANCE AUDIT & RISK SUB-COMMITTEE

Wednesday 19 September 2018

Subject: SEPTEMBER 2018 UPDATE ON THE SUB-COMMITTEE WORK PROGRAMME

Reason for Report

1. In order to ensure the sub-committee's ability to effectively and efficiently fulfill its role and responsibilities, an overall update on its work programme is provided following.

2. It should be noted that some non-urgent items in the work programme have been deferred due to current resourcing and capacity restraints. We continue to recruit for a financial accountant, and staff have needed to prioritize work on the impending Port consultation and the year end audit.

Task	Item	Scheduled / Status
Internal Audits	Health & Safety	19 September 2018 FA&R meeting now deferred to 21 November 2018 meeting
	Data Analytics	21 November 2018 FA&R meeting
	Business Continuance	Q3 2018-19 FA&R meeting
	Water Management	Q4 2018-19 FA&R meeting
Risk Assessment & Management	Reporting on risks (6-monthly) affecting Council plus noting changes / improvements / areas that require attention from last report (3-monthly)	19 September 2018 and Q3 2018-19 meetings. Risk management discussions and follow ups now being documented at each monthly Exec meeting.
Insurance	Council's proposed 2018-19 Insurance programme	Reported to 6 June 2018 FA&R meeting
Annual Report	Discussion on Audit Management Letter	Auditor scheduled to attend November 2018 FA&R meeting
	Discussion on the major issues (if any) in the audit report on the Annual Report.	Aligned with Audit NZ & legislative requirements Sept-Nov each year. Update paper provided this 19 September meeting.
S17a Efficiency Reviews	Update on progress and findings of Section 17a Efficiency Reviews	No reviews scheduled in Q1&2 of Year 1 of LTP. Staff member attended Hawke's Bay Council wide S17a Review collaboration meeting in Wairoa held on 22nd August 2018 where opportunities for cost sharing were discussed.

Task	Item	Scheduled / Status
Investment Returns & Treasury Monitoring	Update on progress in obtaining required level of dividend from PONL. Update on Treasury function within Council	HBRIC Ltd 2018-19 SoI adopted at 27 June 2018 Council meeting. SIPO adopted at 27 June 2018 Council meeting. Fund managers to be appointed at 26 September Council meeting, thereafter quarterly updates are to be presented at future FA&R meetings. Paper and draft policy on Ethical Investing to go to C&S 3 October. Application to join LGFA to be undertaken in the next quarter.

Decision Making Process

3. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

Recommendation

That the Finance, Audit and Risk Sub-committee receives and notes the *"September 2018 Update on Sub-committee Work Programme"* staff report.

Authored by:

Melissa des Landes
CORPORATE ACCOUNTANT

Approved by:

Jessica Ellerm
GROUP MANAGER CORPORATE
SERVICES

Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL

FINANCE AUDIT & RISK SUB-COMMITTEE

Wednesday 19 September 2018

SUBJECT: CONFIRMATION OF PUBLIC EXCLUDED MINUTES

That the Council excludes the public from this section of the meeting being Confirmation of Public Excluded Minutes Agenda Item 12 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	GROUNDS UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION
Proposed 2018-19 Council Insurance Programme	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.

Authored by:

Leeanne Hooper
PRINCIPAL ADVISOR GOVERNANCE

Approved by:

Jessica Ellerm
GROUP MANAGER CORPORATE SERVICES

ITEM 12 CONFIRMATION OF THE PUBLIC EXCLUDED MINUTES OF THE FINANCE, AUDIT AND RISK SUB-COMMITTEE MEETING HELD ON 6 JUNE 2018

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Item 12