



MINUTES OF A 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

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

In Attendance: J Palmer – Chief Executive
J Ellerm – Group Manager Corporate Services
M Collings – Chief Financial Officer
M des Landes – Corporate Accountant
J Lawrence – Group Manager Office of the Chief Executive & Chair
S Lucy – Audit NZ (*for item 10*)

1. Welcome/Apologies/Notices

The Chairman welcomed everyone to the meeting.

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 6 June 2018

FIN78/18 Resolution

Minutes of the Finance Audit & Risk Sub-committee meeting held on Wednesday, 6 June 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**

4. Follow-ups from previous Finance Audit & Risk Sub-Committee meetings

Jess Ellerm advised all follow-ups have been addressed, and there was no discussion.

FIN79/18 Resolution

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

**Bailey/Barker
CARRIED**

5. Six Monthly Report on Risk Assessment and Management

Melissa des Landes provided an overview of the recent review of the risk register with the Executive Team, drawing the committee's attention to the amendments from the previous version of the register and new staff appointments involved in the risk management process. James Palmer introduced Joanne Lawrence, Group Manager of the Office of the Chief Executive and Chair (OCED), with that Group including an Organisational Performance team. Discussions in relation to the risk register covered:

- New CDEM offices in Hastings and full complement of staff however level of risk is associated with the facility still awaiting work to upgrade to meet level 4 earthquake safety requirements
- Risks associated with tangata whenua on RPC not unique to Hawke's Bay, with central government experiencing similar issues associated with environmental management and co-governance of natural resources
- Risk owners and responsibilities, accountabilities
- Unrealistic community expectations risk with 2018 rates increase and recognition of the potential of elevated expectations as a result
- Use of acronyms - remember to provide in full prior to use so new acronyms can be understood
- Actions list and development of an Actions Register
- Relationships with TAs, in particular in relation to wastewater and water quality issues, and perennial risks
- Roles of the Office of the Chief Executive and Chair group, organisational performance and Project Management team staff for the Risk Register and associated processes

FIN80/18 Resolutions

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 opinion that the risk assessment processes are appropriate and adequately identify and assess organisational risks.

**Barker/Bailey
CARRIED**

6. Verbal update on the process to appoint an Independent Member of the Sub-Committee

James Palmer advised that initial call for expressions of interest received three responses, all of whom had potential conflicts of interest precluding selection, and so the role has been readvertised with closing date of 28 September.

7. Internal Audit update

Jessica Ellerm introduced the item, which was taken as read. Living Wage associated work was acknowledged.

FIN81/18 Resolutions

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).

**Bailey/Barker
CARRIED**

8. Treasury Reporting

The item was taken as read, with discussions traversing:

- Suggestion that oversight of Port transaction risks be included through HBRIC reporting to the sub-committee as part of the Treasury reporting
- Principle of all councillors having access to all of the same information
- Restructuring of Council’s investments potentially changes the way Treasury reporting is structured
- Port transaction updates and risks to be reported monthly to Council.

FIN82/18 Resolution

That the Finance Audit & Risk Sub-committee receives the **“Treasury Reporting”** staff report.

**Bailey/Kirton
CARRIED**

9. Resource Management Information System Implementation update

Jessica Ellerm advised the project is on track, with Consents and Compliance modules to go live as scheduled on 26 November.

FIN83/18 **Resolution**

That the Finance, Audit & Risk Sub-committee receives and notes the “**Resource Management Information System Implementation Update**” report, including noting that the Consents and Compliance modules are scheduled to go live in November.

**Barker/Bailey
CARRIED**

11. **September 2018 update on the Sub-Committee Work Programme**

Jessica Ellerm introduced the item, noting progress delayed due to staff workload issues.

FIN84/18 **Resolution**

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

**Bailey/Dick
CARRIED**

12. **Confirmation of the Public Excluded Minutes of the Finance, Audit And Risk Sub-Committee Meeting held on 6 June 2018**

FIN85/18 **Resolution**

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**

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.

**Barker/Bailey
CARRIED**

12. **Confirmation of the Public Excluded Minutes of the Finance Audit and Risk Sub-committee meeting held on Wednesday 6 June 2018**

FIN86/18 Public Excluded Minutes of the Finance Audit & Risk Sub-committee meeting held on Wednesday, 6 June 2018, a copy having been circulated prior to the meeting, were taken as read and confirmed as a true and correct record.

**Barker/Dick
CARRIED**

Resolution

FIN87/18 That the meeting moves out of Public Excluded session.

**Barker/Dick
CARRIED**

The meeting went into public excluded session at 10.09am and out of public excluded session at 10.10am

The meeting adjourned at 10.11am and reconvened at 10.27am

10. Annual Report update

Stephen Lucy was present to speak about the Audit NZ process and findings.

Discussions traversed:

- Audit working through the Port consultation document
- Key element of qualified Audit opinion tax implications of loss from sale of RWSS is pending IRD binding ruling as sought by HBRIC
- \$11m impairment recorded in 2016-17 annual report, with 2017-18 annual report to reflect the loss and tax implications
- Approach to Port valuation used for financials pending review by BDO
- Group accounts still to be finalised
- Tangoio soil conservation reserve financial treatment and legal responsibilities as well as contingent liability, whether the land sits on LINZ or HBRC balance sheet and future management of the reserve
- Performance measure reporting, in particular inclusion of a key to aid understanding the summary pie charts
- Disclosure of the names and remuneration of tangata whenua representatives on RPC and Maori Committee and associated privacy implications
- Report on CCO including valuation of Napier Port – Council decision of number arrived at for valuation
- Auditor explicitly enquires of governance and management, if they have any knowledge of alleged, suspected or actual incidents of fraud and whether they are comfortable that the level of oversight and information provided through Risk Management and internal audit processes is satisfactory.

Recommendation

1. That the Finance, Audit and Risk Sub-committee:
 - 1.1. receives and notes the **“2017-18 Annual Report Update”** staff report and update from Stephen Lucy, Auditor.
 - 1.2. Requests that staff provide advice to enable the Corporate and Strategic Committee to consider and decide whether disclosure of Regional Planning Committee and Māori Committee tangata whenua representatives' remuneration is included in the Council's 2017-18 Annual Report, and if it is the form that the disclosure will take.
2. The Finance, Audit and Risk Sub-committee recommends that the Corporate and Strategic Committee requests that staff provide advice about the future financial treatment and management of the Tangoio Soil Conservation Estate.

**Barker/Dick
CARRIED**

Closure:

There being no further business the Chairman declared the meeting closed at 11.30am on Wednesday 19 September 2018.

Signed as a true and correct record.

DATE:

CHAIRMAN: