



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

Date: Wednesday 21 November 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
J Lawrence – Group Manager Office of the CE & Chair
A Roets – Governance Administration Assistant
M Collings – Chief Financial Officer
M des Landes – Corporate Accountant
J Broughton – Audit Manager, Crowe Horwath

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 19 September 2018

FIN88/18 Resolution

Minutes of the Finance Audit & Risk Sub-committee held on Wednesday, 19 September 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

There were no follow-ups from the 19 September 2018 meeting.

FIN89/18 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*".

**Barker/Kirton
CARRIED**

5. Local Government Funding Agency Accession

Melissa des Landes introduced the item, which is a formality to follow as Council resolved to join the LGFA as an unrated guaranteeing Local Authority on 27 June 2018. Discussions covered:

- To accede to LGFA, Council has to execute legal documents as listed in the paper.
- a brief description of the terms "Debenture Trust Deed" and "The Chief Executive certificate" was given, being:
- "Debenture Trust Deed" *"the document created by the company, whereby trustees are appointed to protect the interest of debenture-holders before they are offered for public subscription is known as Debenture Trust Deed"*; and "The Chief Executive certificate" – certifies the facts contained in the Trust Deed and ensures the disclosure of information recorded as true and correct.
- Computer Share keeps a register of the Council position
- Jessica Ellerm introduced Brylee Finlayson, Financial Accountant, who joined the Council on Monday, 19 November 2018.

FIN90/18 Resolutions

1. That the Finance, Audit and Risk Sub-committee:
 - 1.1. receives the Local Government Funding Agency (LGFA) Accession staff report, and
 - 1.2. notes the contents of that report.
2. The Finance, Audit and Risk Sub-committee recommends that Hawke's Bay Regional Council:
 - 2.1. Confirms Council's intention to join the Local Government Funding Agency

as an unrated guaranteeing Local Authority.

- 2.2. Delegates authority to the Chief Executive to execute the following documents for the purposes of recommendation 2.1. above:
 - 2.2.1. Letter from Council to Computershare Investor Services Limited (to amend and restate Council's 21 October 2009 Registrar and Paying Agent Services Agreement)
 - 2.2.2. Security Stock Certificate (in relation to the Multi-Issuer Deed)
 - 2.2.3. Security Stock Certificate (in relation to the Equity Commitment Deed)
 - 2.2.4. Security Stock Certificate (in relation to the Guarantee); and
 - 2.2.5. Stock Issuance Certificate (in relation to the documents noted at recommendation 2.2.2. – 2.2.4.).
- 2.3. Authorises Council's elected members (Chairperson and Deputy Chairperson) to execute the following deeds for the purposes of recommendation 2.1 above:
 - 2.3.1. Deed of Amendment and Restatement of Debenture Trust Deed
 - 2.3.2. Accession Deed to Multi-Issuer Deed
 - 2.3.3. Accession Deed to Notes Subscription Agreement
 - 2.3.4. Accession Deed to Equity Commitment Deed, and
 - 2.3.5. Accession Deed to Guarantee and Indemnity.
- 2.4. Delegates authority to the Chief Executive to execute such other documents and take such other steps on behalf of Council as the Chief Executive considers it is necessary or desirable to execute or take to give effect to recommendation 2.1 above.

**Barker/Dick
CARRIED**

6. Health & Safety Internal Audit Report

The Chair introduced Jeffrey Broughton, Audit Manager for Crowe Horwath.

- Melissa des Landes noted the agreed inclusion of Health & Safety as part of the internal audit work programme
- The H&S Audit report was presented to the Executive team and the high risk findings reviewed to develop a work programme for implementing and monitoring the recommendations.
- a follow-up report to February 2019 sub-committee meeting will provide an update on implementation of the work programme
- Jeffrey Broughton provided an overview of the report, thanking Viv Moule and Melissa des Landes for their continued contributions and support throughout the project.
- Mr Broughton acknowledged the good processes and practises already in place through the work of the external Health & Safety consultant (Franz Assenmacher) as well as the CE's good leadership and direction.
- Council needs to understand what their critical risks are, to ensure that adequate and appropriate controls, processes and the monitoring of these.
- Advised that Councillors don't have the same consequences under the H&S Act as Company Directors do and therefor can't be fined however should still apply the due diligence responsibility.
- Viv Moule noted the value of the audit and advised staff are currently working through urgent and high risk findings, with lower risk items and maintenance to

follow and be included in regular reporting

- Expectation is that Executive team will have greater structure and regular visibility of Health & Safety performance, and is currently considering whether Council requires a dedicated resource available.
- Suggestions that H&S due diligence training be offered to councillors and become part of the induction of new staff
- A strategic H&S plan has been developed, outlining Council's longer term goals, overall strategic objectives and philosophy of what it wants to achieve.
- the Draft Strategic Plan, including the overarching philosophical positioning, clarity on the direction and comment on governor obligations to be presented at the February sub-committee meeting

FIN91/18

Resolutions

1. That the Finance, Audit and Risk Sub-committee receives and notes the ***"Health & Safety Internal Audit Report"***.
2. That the Finance, Audit and Risk Sub-committee requests that the draft Strategic Plan and Charter are presented to its 12 February 2019 meeting.

**Barker/Bailey
CARRIED**

7. Internal Audit Update

Melissa des Landes updated the status of the internal audit work programme, highlighting:

- Initial Data Analytics internal audit is complete and will be presented at the February 2019 meeting.
- Sub-committee asked whether the Business Continuity Plan audit can be either deferred or noted as a follow up for a future financial year.
- the follow-up Water Management Audit item to be presented at the 12 December Corporate & Strategic Committee meeting to update on progress of recommendations and action points progress
- Joint councils internal audit meetings have been held and staff agreed a common way forward as audits for each council are delivering similar opportunities for improvement
- An initial 'living wage' report was produced and the Transport Minister has requested further information. This committee will be updated once the report becomes available.
- The draft schedule of Internal Audit reports for the next year or two is to be drafted and provided to the February 2019 sub-committee meeting.
- A further Water Management Audit is scheduled for the last quarter of 2019.
- Staff to discuss with Crowe Horwath whether it's viable for any of the proposed future internal audits to be brought forward in the working schedule/programme and report back to the next FAR&S meeting.
- In relation to the Living Wage, the sub-committee was advised a small percentage of staff salaries that fell below the threshold were adjusted to align with the Living Wage.
- It is proposed to review the Procurement Policy to include a weighting for contractors who comply with the Living Wage and staff will prepare a report for a future sub-committee meeting.

FIN92/18

Resolution

That the Finance, Audit and Risk Sub-committee receives and notes the "Internal Audit Update" staff report.

**Barker/Dick
CARRIED**

The meeting adjourned at 10.14am and reconvened at 10.30am.

8. Treasury Update

Manton Collins updated progress on the development of council's diversified investment portfolio and the draft Treasury Report review. Discussions traversed:

- process of transferring funds to the fund managers took longer than anticipated and may have an effect on the budgeted returns of 5%, and staff will update the sub-committee and full Council on the effects and any mitigation that may be needed.
- Legal documents and contracts almost completed and the transfer of the full allocation of funds will be completed by the end of January 2019.
- Full forecast of returns will be reported to the 12 February 2019 FA&RS meeting.
- Both Fund Managers, Mercer and First New Zealand Capital, will be reporting to Council quarterly.
- It is proposed that the Fund Managers report to FA&RS annually and staff report on forecasts and dividend tracking quarterly, with staff to draft a reporting schedule for the February FA&RS meeting.

FIN93/18 Resolution

That the Finance, Audit and Risk Sub-committee receives and notes the "Treasury Update" staff report.

**Bailey/Dick
CARRIED**

9. November 2018 Sub-Committee Work Programme Update

Jessica Ellerm reported that no further progress has been made on the work programme, particularly with Procurement/ Contract Management, due to staff capacity constraints, and that the Financial Accountant who started two days ago will provide much needed capacity to now progress the substantive work programme.

FIN94/18 Resolution

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

**Bailey/Dick
CARRIED**

10. Appointment of an Independent Member of the Finance, Audit & Risk Sub-committee

FIN95/18 Resolution

That Council excludes the public from this section of the meeting, being Agenda Item 10 Appointment of an Independent Member of the Finance, Audit & Risk Sub-Committee 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

Appointment of an Independent Member of the Finance, Audit & Risk Sub-Committee

REASON FOR PASSING THIS RESOLUTION

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.

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/Barker
CARRIED**

The meeting went into public excluded session at 10.46am and out of public excluded session at 10.49am.

Closure:

There being no further business the Chairman declared the meeting closed at 10.49am on Wednesday 21 November 2018.

Signed as a true and correct record.

DATE:

CHAIRMAN: