

## Minutes of a Meeting of the Finance Audit & Risk Sub-committee

**Date:** 2 March 2022

**Time:** 9.00am

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

**Present:** Cr C Foss– Chair  
Cr W Foley  
Cr N Kirton  
S Maloy – Independent Member (*via zoom*)  
Cr J Taylor

**In Attendance:** J Palmer – Chief Executive  
C Dolley – Group Manager Asset Management  
J Ellerm – Group Manager Corporate Services (*via zoom*)  
L Hooper – Governance Team Leader  
H Marsden – Risk & Corporate Compliance Manager (*via zoom*)  
C Comber – Chief Financial Officer  
R Franklin – Finance Consultant  
K Premadasa – Management Accountant (*via zoom*)  
B Douglas – Forests & Reserves Officer (*via zoom*)  
R Engelke – Team Leader Open Spaces (*via zoom*)  
T Chaplin – Senior Group Accountant (*via zoom*)  
O Giraud-Burrell – Quality & Assurance Advisor  
S Bell – Team Leader Strategy & Performance (*via zoom*)

**1. Welcome/Karakia /Housekeeping /Apologies/Notices**

The Chair welcomed everyone and led the group to offer a karakia to open the meeting.

**2. Conflict of Interest Declarations**

There were no conflicts of interest declared.

**3. Confirmation of Minutes of the Finance Audit & Risk Sub-committee held on 15 December 2021**

**FIN167/22 Resolution**

Minutes of the Finance Audit & Risk Sub-committee held on Wednesday, 15 December 2021, a copy having been circulated prior to the meeting, were taken as read and confirmed as a true and correct record.

**Foss/Taylor  
CARRIED**

**13. Internal Assurance Dashboard - Cyber Security Corrective Actions Status Update**

**FIN168/22 Resolution**

That the Finance, Audit and Risk Sub-committee excludes the public from this section of the meeting, being Agenda Item 14 Internal Assurance Dashboard - Cyber Security Corrective Actions Status Update 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	GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION
Internal Assurance Dashboard - Cyber Security Corrective Actions Status Update	<p>s7(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.</p> <p>s7(2)(j) 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 prevent the disclosure or use of official information for improper gain or improper advantage.</p>	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

**Kirton/Foss  
CARRIED**

*The meeting moved into Public Excluded session at 9.06am and out of Public Excluded session at 9.22am*

**5. Six Monthly Enterprise Risk Report**

Helen Marsden introduced the item. Discussions covered:

- Elevated risks include financial (geopolitical situation and international markets), business interruption (Omicron outbreak & impacts on staffing, tight labour market and supply chains, and People Capability
- Stocktake being undertaken of delivery risks for each of Council's activities
- Legal compliance residual risk will be reassessed through significant piece of work over the next 18 months to 2 years in relation to legislative obligations
- Fraud residual risk as likely based on the opportunity for fraud being likely. An audit is being undertaken and with current controls the residual risk may be reassessed.
- Suggested risk framework could become overwhelming as it is so comprehensive and future reports could be more focused, or abbreviated
- Civil Defense is included in Council's risk profile, HBRIC is not

FIN169/22 **Resolutions**

That the Finance, Audit and Risk Sub-committee:

1. Receives and considers the “*Six Monthly Enterprise Risk*” staff report.
2. Reports to the Corporate and Strategic Committee, the Sub-committee’s satisfaction that the *Six-Monthly Enterprise Risk Report* provides adequate evidence of the robustness of Council’s risk management policy and framework and progress to implement the maturing risk management system.

**Taylor/Foley  
CARRIED**

**9. 2020-2021 Annual Report Audit Update**

Karen Young from Audit NZ joined the meeting via Zoom. Discussions covered:

- Council has yet to receive Audit sign-off
- One material matter outstanding – prior period mis-statement in accounting treatment of ACC sale

FIN170/22 **Resolutions**

1. That the Finance, Audit and Risk Sub-committee receives and notes the “2020-21 *Annual Report Audit Update*” staff report.
2. That the Finance, Audit and Risk Sub-committee excludes the public from this section of the meeting being Discussion with Director of Audit NZ 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
2020-2021 HBRC Annual Report Audit	7(2)(c)(i) The exclusion of the public from this discussion is necessary to protect information which is subject to an obligation of confidence and to ensure the supply of similar information from the same source is not prejudiced; it is in the public interest that such information should continue to be supplied	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.
2020-2021 HBRC Annual Report Audit	7(2)(f)(ii) The exclusion of the public from this discussion 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.

**Foss/Foley  
CARRIED**

*The meeting moved into Public Excluded session at 10.04am and out of Public Excluded session at 10.38am*

**6. Risk Maturity Update**

The item was taken as read and discussions covered:

- Suggested that future reports focus on changes from previous report
- Such a significant work programme and culture shift requires very strong change management

FIN171/22 **Resolutions**

1. That the Finance, Audit and Risk Sub-committee receives and considers the “*Risk Maturity Update*” staff report.
2. The Finance, Audit and Risk Sub-committee reports to the Corporate and Strategic

Committee that:

- 2.1. Delivery of phase IV of the roadmap was re-evaluated to identify a less resource intensive approach for embedding risk-based thinking into the business due to the level of business disruption from Covid19 and the tight labour market, and
- 2.2. The revised delivery plan for phase IV of the roadmap still aligns to Council's overall risk maturity strategy of embedding risk-based thinking into the business.

**Taylor/Foley**  
**CARRIED**

## **7. Internal Audit Annual Plan Status Update FY2021-2022**

Olivia Giraud-Burrell introduced the item, advising that the Fraud Audit has been completed and a draft Report received, and that the Data Analytics is due to be carried out in May at the point when TechOne will have been in place for 10 months.

### **FIN172/22 Resolutions**

That the Finance, Audit and Risk Sub-committee:

1. Receives and considers the "*Internal Audit Annual Plan Status Update FY2021-2022*" staff report.
2. Reports to the Corporate and Strategic Committee, the Sub-committee's satisfaction that the Internal Assurance Programme Update provides adequate evidence of the adequacy of Council's internal assurance functions and management actions undertaken or planned respond to findings and recommendations from completed internal audits.

**Maloy/Kirton**  
**CARRIED**

## **8. Annual Internal Assurance Plan 2022-2023**

Discussions covered:

- Crowe has recommended infrastructure and asset management, and Capital works programme management internal audits and more information will be available for the next FARS meeting when it comes time to formally adopt the 2022-23 schedule of audits
- An additional audit suggested by ELT will also be included for the May meeting.

### **FIN173/22 Resolution**

That the Finance, Audit and Risk Sub-committee receives and considers the draft *Annual Internal Assurance Plan 2022-2023* staff report.

**Taylor/Foss**  
**CARRIED**

*The meeting adjourned at 10.54am and reconvened at 11.08am*

## **9. Quarterly Treasury Report for 1 October – 31 December 2021**

The item was taken as read and discussions traversed:

- Volatility of international markets will likely have significant impact on returns from Managed Funds
- Council is confident that forecast HBRIC dividend will be achieved from Cash Reserves, their own managed funds and Port dividends without divesting any assets
- Rents from the Wellington property are used to offset Rates charged to ratepayers
- Since 31 December, managed funds have gone down over \$6M so indicates the volatility of the market

- Operational funding requirements and how those can be met will be provided to the Corporate and Strategic Committee with the half yearly results on 16 March
- Inflation figure 2.5% used is CPI long term average and year-end balance would be the time to reassess
- Lease rent deferral available to apply for in circumstances such as financial hardship
- ACC is paid the money received and will not include any rents that have been deferred
- Details of the leasehold portfolio management to be provided to a future FARS meeting

FIN174/22

#### **Resolution**

That the Finance, Audit and Risk Sub-committee:

1. Receives and notes the *“Quarterly Treasury Report for 1 October – 31 December 2021”*.
2. Confirms that the performance of Council’s investment portfolio has been reported to the Sub-committee’s satisfaction.

**Foss/Maloy  
CARRIED**

**15.**

#### **Scope for Fund Manager Review**

Kishan Premadasa and Jessica Ellerm spoke to the item, which seeks feedback on the draft scope of a review of the fund managers’ performance to enable the final scope to be adopted at the next FARS meeting. Discussions and feedback covered:

- Procurement of the fund managers was through a tender process and assessed by the whole Council
- Proposed that it be a joint HBRC/HBRIC review
- Procurement criteria can be included in the review scope, to be assessed against
- Review of the SIPO separate from the Investment Strategy
- 50/50 asset allocation based on council’s willingness to accept risk, and if that is to change that will need to be assessed based on that same criteria; suggested annually
- Review of how the fund managers are performing against their peers, e.g. fee structure, not how the funds themselves are performing
- End of the calendar year may be a good time to undertake the review however the scope could be finalised in the meantime
- SIPO states funds will be monitored quarterly and fund managers reviewed annually
- SIPO dictates how the fund managers manage the funds. Recommend SIPO is fully reviewed every 3 years.

FIN175/22

#### **Resolutions**

That the Finance, Audit and Risk Sub-committee:

1. Receives and considers the *“Scope for Fund Manager Review”* staff report
2. Provides feedback, particularly on the staff recommendations made, sufficient to enable preparation of a formal scoping document that includes timeframes, objectives and milestones.

**Foss/Taylor  
CARRIED**

**10.**

#### **HBRC Forestry Update**

Chris Dolley introduced the item and Ben Douglas, Forests and Reserves Officer and Russell Engelke, Team Leader Open Spaces. The item was taken as read, and discussions covered:

- There is no current policy on how Council treats its carbon units and the intention is that a Policy is developed as a priority

*Will Foley left the meeting at 12.12pm*

- Suggested that areas of radiata pine are changed over to native forests where possible, over time
- A Strategic Planting plan is being developed as part of the Public Use of Rivers work programme
- Eucalypts planted to be irrigated by CHB wastewater are not suitable for the climate in that area as they require more water. The block has become a valuable community asset and is being replanted in more appropriate species as dead eucalypts are replaced.
- A request was made to separate the various assets into 'commercial' or 'community/public asset' purposes
- Proposal for a trail all the way around Lake Tūtira is in the long term plan and budgeted
- Strategic benefits to forests like Waihapua, to demonstrate benefits of programmes such as 'right tree right place' potentially as a demonstration site
- Fire risks are being managed in liaison with FENZ (Fire & Emergency NZ) and there was a request for more detail about how that is done
- Carbon Policy decisions and decisions relating to asset sales will be made by Corporate and Strategic Committee for recommending to Council.

FIN176/22

#### **Resolution**

That the Finance Audit and Risk Sub-committee receives and notes the "*HBRC Forestry Update*" staff report.

**Foss/Kirton  
CARRIED**

11.

#### **Tūtira Mānuka Plantation Update**

Chris Dolley introduced the item which was taken as read. Discussions highlighted:

- The trial revealed that the plantation was not commercially viable for mānuka honey however the Carbon value is strong and has value as a nursery crop
- Irrespective of the mānuka the trial is viewed as a success with better developed biodiversity and learnings

FIN177/22

#### **Resolution**

That the Finance, Audit and Risk Sub-committee receives and notes the "*Tūtira Mānuka Plantation Update*" staff report.

**Foss/Taylor  
CARRIED**

12.

#### **Internal Assurance Dashboard - Corrective Actions Status Update**

Olivia Giraud-Burrell introduced the item, and discussions covered:

- Talent Management is the subject of a separate agenda item
- By and large everything is on track, and Risk Maturity actions noted as being behind were due to staffing turnover
- Helen Marsden confirmed that all bowties have been completed for all of the enterprise risks.

FIN178/22

#### **Resolutions**

That the Finance, Audit and Risk Sub-committee:

1. Receives and notes the '*Internal Assurance Dashboard - Corrective Actions Status Update*' staff report and accompanying dashboard.
2. Confirms that management actions undertaken or planned for the future adequately respond to the findings and recommendations of the internal audits.

3. Confirms that the dashboard reports provide adequate information on the progress of corrective actions and the progress of the approved Annual Internal Audit programme.
4. Reports to the Corporate and Strategic Committee, the Sub-committee's satisfaction that the Internal Assurance Programme Update provides adequate evidence of the adequacy of Council's internal assurance functions and management actions undertaken or planned respond to findings and recommendations from completed internal audits.

**Kirton/Foss  
CARRIED**

### 13. Talent Management Internal Audit Update

Liana Monteith introduced the item which was taken as read. Questions and discussions covered:

- The P&C Strategy has been presented to the Executive Leadership Team for review and approval, and the team has commenced actioning what's in the strategy through the work plan in the meantime.

*Craig Foss left the meeting at 12.50pm and Neil Kirton assumed the Chair.*

- Query in relation to whether enough detail provided for FARS members to check against the management actions recommended by the audit.
- An overview of the work plan, which reflects the Strategy but contains more detail and a *change* section, can be provided to enable FARS members to gain assurance that management actions are being taken.

*Craig Foss re-joined the meeting at 12.53pm and re-assumed the Chair.*

- Complex environment with organisational changes, implementation of new systems and legal requirements as well as Covid
- It was noted that the quarterly organisational performance report includes specific metrics around People and Capability
- In relation to capability mapping, James Palmer advised that the CEs group is discussing potential shared talent that may potentially extend the internal competency mapping that' to include the other councils in the region.

### FIN179/22 Resolutions

That the Finance, Audit and Risk Sub-committee:

*Corrected  
as resolved  
4May2022*

1. Receives and notes the '*Talent Management Internal Audit Update*' staff report.
- ~~2. Confirms that management actions undertaken or planned for the future adequately respond to the findings and recommendations of the 2021 internal audit.~~
- ~~3. Reports to the Corporate and Strategic Committee, the Sub-committee's satisfaction that the Talent Management Internal Audit Update provides adequate evidence of the adequacy of the management actions undertaken or planned to respond to the findings and recommendations from the Crowe Audit of the Council's talent management strategies and processes undertaken in April 2021.~~

**Kirton/Foss  
CARRIED**

### Closure:

There being no further business the Chairman declared the meeting closed at 1.00pm on Wednesday 2 March 2022.

Signed as a true and correct record.

**Date:** .4 May 2022 FARS resolution

**Chairman:** .Craig Foss