

TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

Meeting of the Risk and Audit Committee

Date: 23 October 2024

Time: 9.00am

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

Attachments Excluded From Agenda

Item	Title		Page
5.	Port and Harbour Marine Safety Code Review		
	Attachment 1:	Hawke's Bay Port & Harbour Marine Safety Code Review Report - 2024	2
7.	Ernst & Young Audit Close report on year ended 30 June 2024		
	Attachment 1:	HBRC EY Audit Close Report for the year ended 30 June 2024	23



Safety Management Systems Review

	A review of the SMS in accordance with the NZ Port & Harbour Marine Safety Code
Location	Hawkes Bay
Port operator and regional council	Port of Napier Limited and Hawkes Bay Regional Council
(please make clear if SMS review is for port company and/or regional council)	The SMS review covers both organisations
Date of review	27 th -28 th of March 2024
Purpose	A peer panel representing the 3 partner sectors to the Code provide an independent review of the safety management system and risk assessments for good navigation practice and consistency with Code
Objective	 To confirm that the SMS of Port of Napier Limited and Hawkes Bay Regional Council meets the requirements of the Code, namely, that : The arrangements, measures, procedures and processes in the SMS are effective to manage the risks, and reflect best practice The SMS is underscored by effective working relationships There is evidence of ownership and commitment to the SMS at all levels of the regional council and port company
Panel members	 Peer review panel members Clyde Fernandes, Manager Maritime Inspections, Maritime NZ Tony Parr, Harbourmaster, Taranaki Regional Council Alexandra Haughey, Marine Operations Manager, Port Nelson Paul Barrett, Maritime New Zealand PHMSC Peer Review Panel Advisor
Present	 Hawkes Bay Review Key Contacts Adrian Wright, Hawkes Bay Regional Council, Harbourmaster Robbie Jensen, Port of Napier Limited, Marine Manager Port of Napier representatives Todd Dawson Chief Executive Officer Adam Harvey Chief Operating Officer Adam Loseby Assistant Marine Manger Robbie Jensen Executive Pilot Leanne Sutherland Compliance and Quality Manager Mark Bibby Mooring Supervisor

SMS Review panel report FINAL D22/7137

	 Kendra Hishon Pilot Launch master Hawkes Bay Regional Council representatives Nic Peet Chief Executive Katrina Brunton GM Policy & Regulation 		
Others contacted	N/A		
Documents reviewed	Pre site visit	See appendix 1	
	During site visit	See appendix 2	
Overview of process	The review panel meet f	for a planning meeting on the 19th of February 2024.	
		neeting was held on the 11 th March 2024 to discuss the f the information provided.	
	The onsite reviews were undertaken on the 27 th and 28 st of March 2024 commencing with an opening meeting at the Hawkes Bay Regional Council meeting room, representatives from Hawkes Bay Regional Council and Napier Port were present.		
	The peer review plan outlined that the first days focus was the Commitment to Code, Continuous improvement, Policy, Safety Management Systems and an overview of both organisations.		
	The first day review discussion also included, major developments and risk, resourcing and operations, navigation bylaw and Harbourmaster directions, on-line systems and databases. The second day meeting at the Port Company Offices and involved a Port tour and review of training, AtoN and Maritime Transport Operator Plan (MTOP), the Maritime Operator Safety System (MOSS) and pilotage.		
	A closing meeting was h	eld on the afternoon of the second day,	
	and allowing the team to and by providing the info for their candid response lot of pressure with Covi	luded a thank you to the group for their openness and input o ask questions, to see what they plan to do, how they do it prmation in an open manner. The group were also thanked es, it was acknowledged that the region has been under a id, the Wharf 6 project and cyclones and that the planning is needed and right the ship before carrying on with some	
	The organisations were were to be included in the	given very general feedback as the full details and findings is report.	
		p has set in place a protocol where the Code consistency ne report is finished and signed off by all parties.	
		at both organisations have very good system frameworks on which means that continuous improvement is in place.	
	Chief Executive of the H first day to check to see	Napier Port made himself available for the review and the lawkes Bay Regional Council dropped in at the end of the how the review was going. This provided the panel with inisations commitment to Code compliance is active.	
Previous reviews	The last NZ Port and Ha November 2021.	arbour Marine Safety Code review was finalised on the 11th	
(Brief statement on date of previous review, findings/ areas for	The findings included th	at the next review should look at:	

improvement noted at that time)	What HBRC has done to confirm its roles and responsibilities, including those of the Harbourmaster, and related resourcing, agreements and arrangement with NP made to undertake those roles and responsibilities?
	 NP risk assessment and SMS coverage of new and changed risks due to the Wharf development.
	 Follow up and improvements made resulting from the investigations into the Kota Bahagia fire (Dec 2020) which had not been formally reported on at the time of this review
	It was noted that the SMS was Code consistent on the 11/11/2021
	Self-Assessment 2023
	This review was completed in June 2023 and was a joint Self-assessment of the Safety Management Systems
	Findings included the Harbourmaster indicating that;
	The SMS systems remain ISO9001 accredited
	 An increased level of engagement with councillors regarding maritime safety would be useful
	 Resume efforts to engage with the Napier Pilotage and Ahuriri Inner Harbour Users Group
	 Installing fleet wide radios in all vehicles to allow communication when no power is available (cyclone response)
	 Keeping the Code and practices straightforward and manageable and ensuing more training is available for those new to the industry.
	The findings for the Port included
	 The SMS systems remain ISO9001 accredited
	 The organisations MOMs project is progressing with Code compliance improvements.
	 Innovation and change need to be implemented with a robust change management process to mitigate risk.
	The port convenes and hosts monthly MNZ, HM and Port meetings.
	 Identifying opportunities to continuously improve levels of competency is important
	Port wide review of emergency procedures has been completed
	The systems are subject to internal and external audit as part of the organisations ISO9001 systems and Internal reviews / joint self-assessments are undertaken annually.
During the planning phase what areas/issues were	The review team provided a request for information 18/3/2024 This also identified areas of interest for the onsite review including.
identified, and why, for further enquiry	 The Napier Port QMS meetings Collaboration Navigation aids
	 Harbourmaster access to a boat

	 Moorings management Organizational structures Shore tensioning units Event investigation and corrective actions MTOP Fit and proper person designation Port Resourcing Vessel Management MoU's Management of navigational safety, accountability and responsibilities. Napier Pilotage and Ahuriri Inner Harbour User Group meetings PROMAPP/Nintex use harbourmaster. Hydrographic survey and dredging Tier One marine pollution response plan The requested information was provided and areas of interest were discussed during the review.
Findings	Acknowledgement
	1) The panel wish to acknowledge the Port of Napier and the Hawkes Bay Regional Council in preparing and participating in the review in an open an candid manner. An indicator of the organisations commitment is the involvement of and Interest of Chief Executives and Senior Leadership Team members. The significant impacts of Cyclone Gabrielle to the region is also to be acknowledged, the organisations response, adaption and management of the impacts are to be commended.
	Port and Harbour Context
	2) The Hawkes Bay Regions Navigation Safety Bylaw outlines boundaries of the Harbourmaster responsibilities from Mahia in the north to Porangahau in the south. The Napier Port is located at the base of Bluff Hill. The Pilotage area extends to Pania Reef and includes two channels for entry and exit to the Port. The Port is the North Island's second largest by tonnage and is connected to the rail network. The Port processes timber, containers of canned goods, apples and pears, meat and other fresh and chilled produce. 80% of cargo is export. The port also features cruise ship activity and also handles bulk cargo.
	3) The Hawkes Bay Regional Council is the majority shareholder (55%) in Napier Port Limited. The Hawkes Bay Regional Council Operates employs a Harbourmaster and has put in place the Navigation Safety Bylaw 2024 (last reviewed on 13 th Dec 2023).
	The Harbourmaster's office is transitioning as the current Harbourmaster retires the succession plan includes moving Adrian Wright, the current deputy, into the Harbourmaster role. A recruitment process for a new Deputy Harbourmaster is underway, and should be expedited.
	Resourcing of the Harbourmaster activities was an identified constraint wit the reliance on contractors and external parties to assist with on water compliance with navigation safety bylaws and Maritime Rules, and HBRC asset maintenance, for example AtoN,
	The HBRC has memorandums of understanding with the Port (2022) and the Napier City Council (2020). The latter under review with respect to improvement and maintenance of assets in the Ahuriri Inner Harbour.
	 Due to the impacts of Covid, Wharf 6 development and Cyclone Gabriel th Napier Port forward planning and project list has been adjusted to allow for the recovery activities.

	 The Hawkes Bay Regional Council and The Napier Port are certified to ISO9001: 2015 by Telarc and Lloyds Register Quality Assurance (LRQA) respectively.
	The Harbourmaster and Port company have a close relationship with the Port providing an office for the Harbourmaster at the port and the ability to use Port systems for reporting, alerts and permitting through SAI360 global upload site work alerts.
	Working together on risk assessments, providing office space and access to systems indicates a close and collaborative relationship.
0	verall summary of findings
	6) The Panel found that HRBC and NP show a clear commitment to the Code and each organisations Policies, SMS documentation and activities include statements, processes and reviews to ensure that Code consistency is considered as part of their operations and quality management systems
	7) The Panel found that the HBRC and PN SMS and associated activities provide confidence that the organisations are managing risk. Both organisations have experienced or are experiencing significant change and this has put restraints on the planning and implementation of some projects. The Napier Port identified that its progress on its MOMs system had been delayed and the Harbourmaster changes and the need to recruit a new deputy harbourmaster leaves the organisation with a resourcing constraint
	8) The Hawke's Bay Regional Council Napier Pilotage Area Risk Assessment document is a shared risk assessment process with input from the Harbourmaster, Napier Port and the Napier City Council to gain a common understanding of risk in the Napier Pilotage area is a useful exercise and an indicator of collaboration
	 The Panel thought it would be useful for the HBRC to develop a programme to raise the awareness of the Code and Code signatory obligations amongst the wider council and Councillors.
	 The HBRC SMS document outlines communication and inclusion of a number of stakeholders, it was identified by the panel that the HBRC could clarify and document local IWI as a stakeholder.
	 Collaboration is a key feature of the HBRC and NP activities including shared office space and systems which clearly show a collaborative and inclusive approach.
	12) The response to Cyclone Gabriel was seen as a collaborative process between the Port, the Harbourmasters, NZ Police and FENZ. The Port didn't follow a Coordinated Incident Management System approach (CIMS) however they did follow some of the principles. The organisation could review the Cyclone response and its emergency plans to see if a CIMS approach would be useful during any future events.
	13) The organisation had also developed emergency event scenarios for the pilots, however these had yet to be tested it would be useful to ensure that the scenarios identified are included in emergency response trials.
	14) NP Ports SAI360 incident and risk management system is seen as a useful tool and allowing the Harbourmaster access to the system to assist with alerts and permitting is another example of the collaboration between the Part and HBRC. The systems training manager is not being used, the data is being exported to excel and the Port is working on a learning

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management system which will improve the visibility and tracking of the training activities.
15) The review of the MoU with the Napier City Council had been delayed due to the Long Term Plan (LTP) cycle. The work in the inner harbour identified a number of risks for the HBRC. The organisations should review the MoU and associated risk assessment to ensure that appropriate controls are in place and that the responsibilities for resourcing the controls are clearly defined.
16) The Napier port procedures have been developed where possible with hyperlinks to associated documentation and risk registers so that the source documents when updated only need the one document updated. The single point of truth is a useful mechanism to use.
17) The Napier port fatigue management software (FAID) this was outlined during the review and provides a good survey and feedback mechanism for managing fatigue.
18) Both organisations have well-developed incident management processes HBRC HAZMATE is managed by its Risk and Audit Committee and has escalations to the senior leadership team when required, this is teamed with the IRIS compliance monitoring tool. The development of consolidated data for reporting for the HBRC was seen as a gap. The Port utilises SAI360 as a reporting tool, this has the ability to be reported directly into the software or via radio of the safety team. The process also features escalation to senior management. The organisations have active meetings that include the review of incidents and the tracking of corrective actions.
19) The HBRC & Napier Port MoU outlines the details and approach to the Napier Pilotage area, the schedules 1, 2 and 3 outline the division of roles, collaborative activities and AtoN management respectively. This provides a good example of clarifying roles and responsibilities.
20) The Napier Port has Invested heavily in IT systems and AI and this is was seen as a point of difference to others in the sector and an example of best practice that could be of benefit to others when the systems, data and process have been proven and defined.
Commitment to code Consistent SMS and Continuous Improvement
21) Katrina Brunton GM Policy and Regulation (HBRC) provided a useful overview of the commitment to the Code and outlined that the region had been through significant challenges with the Cyclone and that the Council had relied heavily on Adrian to develop the Harbourmaster role further. The Council has increased funding for code compliance and documenting the rules. Adrian outlined that the commitment is manifested in documentation held in the Council's document management system, the Memorandum of Understanding (MoU) with the Napier Port, and the planned update to the MoU for the Napier City Council.
The council has identified that it needs to develop and resource the compliance and enforcement teams and ensure that there is support staff from within the Council with appropriate delegations to support the Harbourmaster's activities.
The HBRC was also looking at the funding models to include a user pays approach.
The HBRC long term plan is out for consultation from the $15^{\rm th}$ April 2024 to the $15^{\rm th}$ May 2024.

SMS Review panel report FINAL D22/7137

Nic Peet, HBRC Chief Executive, dropped into the Peer review meeting room at the end of Day one of the review to introduce himself and to discuss the review. While this showed commitment to the process, it would be useful to develop a programme to raise the awareness of the Code and Code signatory obligations amongst the wider council and Councillors. Any intent to include this in a reviewed induction process is encouraged (Nic joined the HBRC in July)
22) Todd Dawson Chief Executive Officer (NP) and Adam Harvey Chief Operating Officer (NP) outlined that the Code compliance was fundamental to the way the Port operates and the documented systems being certified to ISO9001 means that the systems are well established. While the Port has had a couple of challenging years, collaboration with the Harbourmaster is seen as key to the Port's success. The Port provide an office for the Harbourmaster and access into systems which shows the close relationship. Collaboration includes monthly meetings between the Port, Maritime New Zealand and the Council. The Port operations, Harbourmaster activities and Code reviews are discussed at the meetings.
At a Governance level the Port is 55% owned by the HBRC and is a publicly listed company. Avoidance of conflict of interests is managed through the MoU with HBRC.
The HBRC and Napier Port MoU 2022 outlines the division of roles for navigation safety and collaboration expectations including routine consultation, public education, training coordination and exercises.
The Port company is both a large regional Port and a significant local industrial complex. The maintenance and development of a social licence is important to its relationship with the community at large.
SMS documentation
23) The SMS documentation provided by both organisations is indicative of alignment with the Code, taking into account the nature of the port operation and the associated hazards and risks.
24) The HBRC SMS document section 2.2 General Policy includes the organisation's commitment to complying with the provisions of the PHMSC. The HBRC Safety Management System defines the management system context in terms of a 'Must, Shall, Should or May' categorisation for processes and standard operating procedures. In broader terms, the document outlines that the organisation Must comply with legislation, Shall comply with the Code, Should follow best practice identified by the Code and May chose to act in other areas that don't have a direct legal obligation.
The Safety Management System includes the Breakwater Harbour (Napier Port) and the Inner Harbour Managed by Napier City Council
The SMS outlines that annual self-assessments against the code and updated risk assessments are required and a rolling safety management system action plan to ensure continual improvement.
The HBRC SMS documents are controlled in promapp/nintex process manager software. The software provides the review schedule, tracks the updates, and automatically assigns new version numbers. All official documents are contained within a council register and the QMS manager has oversight of the review processes/schedules.
Collaboration is also defined in the system and identifies the key stakeholders are Napier Port Limited, Napier City Council, Commercial

operators such as fishing companies and Recreational stakeholders such as the sailing club.
During the review of the HBRC SMS it was identified by the panel that the HBRC could clarify and document local IWI as a stakeholder
Collaboration with the Napier port company is clarified in the HBRC SMS and shared policies were developed in consultation with Napier Port for Pilotage, Breakwater Harbour management, Hydrography, Traffic management and Towage.
The Napier City Council has authority under the Maritime Transport Act for Inner harbour management of infrastructure and works.
25) The Napier Port Safety Management system is outlined in the organisations Marine Services Management Manual (MSMM) the introduction outlines the manuals use of Quality Management System framework (ISO9001) and the intent that the system accommodates the requirements of the Port and Harbour Safety Code.
OBS: During the document review the NP MSMM references the Health and Safety in Employment Act 1992, the organisation should update this to the current legislative requirement that is the Health and Safety at Work Act 2015.
The organisations General Policy and Quality and Safety Policies also outline that the Napier Port is committed to the Code in the Napier Port Management Area
The internal auditing processes also outline that they are reviewed against the Code requirements
Collaboration is integrated into the Port and Harbour Marine Safety Management System Framework Objectives and outlines the Marine Manager in consultation with the Harbourmaster and other stakeholders set objectives to continue the development of the SMS. There are biannual QMS/SMS meetings with the stakeholders to review progress on the objectives.
Emergency response plans were reviewed and discussed and the real world example of the response to Cyclone Gabriel, the response was seen as a collaborative process between the Port, the Harbourmasters, NZ Police and FENZ. The Port didn't follow a Coordinated Incident Management System approach (CIMS) however they did follow some of the principles. The organisation could review the Cyclone response and its emergency plans to see if a CIM'S approach would be useful during any future events.
The organisation had also developed emergency event scenarios for the pilots, however these had yet to be tested it would be useful to ensure that the scenarios identified are included in emergency response trials.
The Port conducts emergency exercises with the Security Teams, Harbourmaster, MNZ, Police and FENZ involvement.
The Port use an application called SAI360, this is used for incident, risk management, alerts and permits. The Harbourmaster has access to this system to assist with alerts and permitting. The system has a training module however this is currently not being used and the Port learning and development advisor utilises a competency matrix. The SAI360 system is used for entering data however the information is exported to excel and linked into the competency matrix.

It is hoped to have a Learning Management System (LMS) up and running by the end of the year. This would be a positive outcome.
Risk Assessment and Management
26) The HBRC has an operational risk management process as part of the Council health and safety management system that covers organisational risks, the procedure outlines Council Level, Department level and Task level risk management activities.
During the review of the risks, hazards and controls the Harbourmaster explained some of the risks that occur as part of the management of the inner harbour that is owned and operated by the Napier City Council include dealing with abandoned boats, drug and gang related activity. It would be useful for the HBRC and the NCC to review its Council, Department and task level risk registers to ensure that the appropriate controls are in place to understand and manage these risks. The risk management activities could be clarified in the MoU review.
Hawke's Bay Regional Council Napier Pilotage Area Risk Assessment document outlines an Identify, Prioritise, Mitigate, Monitor and Review process. The risk assessment was a collaborative risk assessment process by the Council, Port and City Council.
27) The responsibilities of each organisations is defined and the Harbour and Port Safety Management Systems including the Harbourmaster statutory responsibilities and the Port Marine managers role in the Napier Pilotage area.
The risk assessment covers Collision, Contact, Environmental, Equipment Failure, Explosion, Fire, Grounding, Human Factors, Interaction and Personal Injury
The risk mitigation factors identified include
1. AtoN
2. Regulations & Legislation
3. Operational Procedures
4. Communications
5. Drills & Exercises
6. Berthing Operations/Marine Operations/SOPs & Training
7. Health & Safety
8. Vessel Management
9. Weather, Tides, Harbour Information
10. Hydrography and dredging
Each mitigating factor is assessed for criticality and controls assessed for effectiveness
The hazard register outlines the pre and post control numerical risk assessment and a list of the controls in place
The process looks comprehensive for the Port activities.

The Port company also has other risk assessments related to operations, specific activities and equipment such as the risk register for the tugs Ahuriri, Kaweka and Te Mata and the pilot boat Pania.
Higher risk activities have been considered and have specific procedures such as the oil transfer site, marine oil spills contingency plan which is a good example of a risk management and control document
The port companies' operational hazard & risk management framework references ISO 31000:2018 Risk Management Guidelines as a source guidance for its risk management activities.
The Napier Port company risk registers in some cases have hyperlink's to control documentation to help provide clear links between documents and produce a single point of truth where updates to controls need only be documented in one place, this is a useful mechanism.
The Port company has identified that fatigue is a significant risk for the organisation and has developed a fatigue management software (FAID) this was outlined during the review and provides a good survey and feedback mechanism for managing fatigue. The process is still being developed and worked on and the FAID software is seen as a key tool to manage activity to ensure that appropriate controls are in place.
The risk registers are subject to annual review or update if specific activities or processes change. An example is the risk assessment that was performed for Wharf 6 as part of its construction. Note: This was raised as item to include in this review in the 2021 peer review and provides evidence of new developments in risk registers.
28) The Hawke's Bay Regional Council Napier Pilotage Area Risk Assessment document is a shared risk assessment process with input from the Harbourmaster, Napier Port and the Napier City Council to gain a common understanding of risk in the Napier Pilotage area is a useful exercise and an indicator of collaboration.
Incident Management
29) The HBRC incident management process utilises the HBRC HAZMATE incident reporting process and is managed by the HBRC Risk and Audit Committee. Incident response has an escalation process to the Senior Leadership team. The organisation's risk management and non- conformance management systems sit under the Risk Management Policy (CD0023).
The HBRC also has a compliance monitoring tool called IRIS that contains details of any infringements and activities to manage compliance with Navigation Safety rules and Bylaws. The Database was viewed during the audit, REQ-25368 was viewed this involved a prosecution relating to an event that occurred on the 4/3/2023 for dangerous maritime activity.
During the review it was discussed that one of the gaps in the current system is the ability to report on consolidated data with a specific navigation safety focus so that the analysis of accidents and incidents and trends can be completed. This will assist with the annual risk assessment reviews and targeting resource and activities on any emerging issues.
30) The Port incident management system is an active process and the organisation follows the principles of a no blame culture. The reporting is active with more than 1000 reports per year. A spreadsheet All_Incidents_010123_311223 was viewed and contained records of all incidents for 2023. The reporting structure is multi-faceted with incidents being able to be reported directly into the reporting software (SAI360), via

radio or the safety team. The incidents are discussed at the 9:30am operational teams meetings and assigned to the right person to investigate they are given a specific number and need to be closed out within 28 days. The initial process is to put them through a risk matrix and above a threshold they are escalated up to Senior Management. The procedures outline the requirements to report to Maritime New Zealand for incidents that are required under the Maritime Transport Act 1994 and the Harbourmaster all waterborne commercial maritime safety incidents including near misses that occur within the Napier Pilotage area.
The operational team meeting minutes such as the Floating Plant meeting minutes provided as examples contain and agenda item prompt to report any incidents, hazards or near misses and review the JSA for the work.
An investigation example was provided and reviewed a process failure for one of the shore tensioning units (a Dynema mooring line failure). An external party South Maritime Solutions undertook a comprehensive incident report following an ICAM methodology and reviewed people, environment, equipment, procedures and organisational factors. The report outlined some immediate, as soon as possible, 2 month, 4 month and 6 month recommendations. The process looked comprehensive and the outcomes designed to lower risk. The report was discussed during the review and the close out actions had been completed.
The Kota Bahangia Fire outcomes from Dec 2020 was also discussed and the outcomes of the investigation and actions had been completed, the General Manager and Executive team were involved in the discussions around the investigation and subsequent actions.
Anchorage Management
 The HBRC outline the Anchoring and mooring rules and Anchorage restrictions in the Navigation Safety Bylaw 2024.
The Harbourmaster looks after the Anchorages monitoring and management
There is a project in the LTP plan to undertake some research on the Anchorage areas to gather information on how they are used, the impacts and risk.
The information sources include AIS systems and systems for tracking ships, there is work being undertaken on virtual aids to navigation to assist the tracking of ships.
There is a 24 hour VHF radio watch and wider area information provided to the Harbourmaster. There is a port company radio in the harbourmaster office and the harbourmaster is available 24 hours a day.
The collaboration between the Harbourmaster and Port company is evident in the sharing of information and the communication systems
The Napier Port offers two secure anchorages both have fine sand and mud bottoms.
SMS Monitoring and Management
32) The Hawkes Bay Regional Council and The Napier Port are certified to ISO9001: 2015 by Telarc and LRQA respectively. The organisation's SMS form part of the QMS, both organisations are certified and re audited annually. Part of the ISO9001 QMS framework is planned internal audits.

The internal auditing processes also outline that they are reviewed against the Code requirements
The last joint self-assessment of the Safety Management System occurred in June 2023
The Port and Harbour Marine Safety Management System Framework Objectives outline that the Marine Manager in consultation with the Harbourmaster and other stakeholders set objectives to continue the development of the SMS.
There are biannual QMS/SMS meetings with the stakeholders to review progress on the objectives.
The Harbourmaster, Maritime NZ and Napier Port meet monthly the meeting minutes provided (13 th Feb 2024) provided good evidence of active conversations regarding each organisations activities and the collaboration between organisations and their documented systems to ensure that the intent of the PHMSC is complied with.
The Port Company Marine Operations Management System (MOMS) development was discussed during the review, the development plans have been delayed by the cyclone and Wharf 6 development. The documentation in some cases needs to be updated to reflect current practice. The volume of change and the change management practices could be clarified to ensure that changes are coordinated and that individual projects and outcomes are integrated into the documented systems as they are adopted. This needs to be expedited
The links to navigation safety and the relevance of MOMS to the PHMSC are the risk management and controls documentation for scheduling, fatigue management, passage plans, pilotage, towage, personnel transfer at sea, mooring, emergency response and training. The organisation has plans to reset the timeframes and completion dates for this project now that it is progressing from response and consolidation from the impacts of the cyclone to business as usual. This is to be encouraged and the peer review team thought that the process will improve and reinforce the good systems in place.
Pilotage and Towage
33) The HBRC & Napier Port MoU outlines the details and approach to the Napier Pilotage area, the schedules 1, 2 and 3 outline the division of roles, collaborative activities and AtoN management respectively. Note: This was raised during the 2021 Peer review and provides a good example of clarifying roles and responsibilities.
The Napier pilotage risk register is a shared process between the HBRC and NP
The Harbourmaster has been delegated powers from Maritime New Zealand to set, conduct, and administer pilot licensing examinations and tests for the Napier Pilotage Area
The HBRC Harbourmaster owns the training
The Napier Port help with the assessment and a pilot training manual the Napier Port Pilot Proficiency Plan (July 2021)
The Pilot Exemption Certificates are issued by MNZ on recommendation by the Harbourmaster.

137

	The Napier Port undertake the competency assessments and advanced marine pilot training. The training includes simulation training for pilots and tugmasters the organisation uses smart ships in Brisbane.
	The Port are using remote pilotage with a vessel length restriction of 80 meters or less
	Pilotage is a standard agenda item on the QMS Meeting agenda
	The 2024 QMS objectives outlined the following for pilotage: Pilot training on-going due to resignations, continued planning for improved pilot retention, continuous drive for development of technology: EMPX, PPU, Right Ship etc. Focus on welfare, scheduling of leave & rostering
	Pilotage is seen as a constraint or risk to the organisation
	The organisation is using and evaluating a number of digital systems to support shipping movements and allocation of resource to help manage the activities
	Trelleborg eMPX Master pilot exchange is used to plan, sharing and reviewing information and confirming details and archiving. The system also downloads information from the Harbourmaster management system. The information and plans are sent to the ships 24 hours in advance, this was seen as a useful system.
	The organisation has been reviewing passage plan support software which uses AIS, PPU and environmental data to assist pilotage, NP has been looking at TransitAnalyst or Navigatus MPOSA system this is a work in progress
	The Sharewater system developed by the Napier Port and now offered to other organisations is a planning and resource allocation software. The software offers berth information, anchoring information and future arrivals. This assists with resource allocation and availability including when pilots are required and the tugs and other resources needed.
	The system has a mobile app so that the system information is available at all times remotely.
	Reliability of the vessels is also being looked at and the Port is starting to use Rightship data to assess the individual risk of ships coming into the Port. This is seen as a potentially useful tool however the Peer review team thought that it will take some time to prove accuracy and therefore usefulness of the data. The organisation has yet to develop policy and procedures to ensure its use is defined.
	The organisation has Invested heavily in IT systems and AI and this is was seen as a point of difference to others in the sector and an example of best practice that could be of benefit to others when the systems, data and process have been proven and defined.
	The considerations for pilotage also include the harbour bottom which is fine sand and mud. It was discussed during the review that the Dynamic Under Keel Clearance Systems (DUKCs), combined with real time wind and wave monitoring allows under keel clearance of 30 cm at berths and 60cm in the harbour. Acceptance of these clearances by the Port requires careful management and risk assessment
н	larbourmaster arrangements
	34) The Hawkes Bay Harbourmaster resource includes Adrian Wright, the Deputy Harbourmaster. The succession planning process to have Adrian
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	employed as the Harbourmaster was underway during the review as Captain Martin Moore had recently retired. Note: Adrian started as Harbourmaster post the review on the 11 th April 2024.
	There is currently a recruitment process underway for a Deputy Harbourmaster.
	Resourcing of the Harbourmaster activities was an identified constraint.
	The organisation is collaborating with other organisations and has a reliance on contractors and external parties for equipment to assist with monitoring and HBRC equipment maintenance for example AtoN.
	The Harbourmaster doesn't currently have a means of independent on- water patrol or response. On water enforcement is conducted through contract arrangements with local marine services companies.
	Navigation Bylaw
	35) The Hawkes Bay Navigation Safety Bylaw 2024 was adopted on the 13 December 2023 after public consultation from 29 September - 29 October 2023. The Bylaw came into effect on 19 March 2024.
	The development of the Bylaw involved consultation with a large number of stakeholders including IWI, recreational boat users and organisations such as jet boating New Zealand. The consultation and consideration also involved the Department of Conservation and Police.
	The main changes included updates to emergency response, reservations and scheduling, passive recreation areas, anchorages and prohibited zones. There is a specific reserved area for rocket operations documented to take into account the precautionary rocket launch area around the Mahia peninsular.
	The fees and fines were evaluated against actual costs of delivery and adjusted to a user pays model.
	The Bylaw was noted as a comprehensive document, catering well for navigational safety requirements in the region.
Areas for	(AFI)
Improvement (AFI)	 The Hawkes Bay Regional Council could develop a programme to raise the awareness of the Code and Code signatory obligations amongst the wider council and Councillors. Any intent to include this in a reviewed induction process is encouraged. (Communication and commitment to the Code)
	2) The Harbourmaster's office is transitioning as the current Harbourmaster retires the succession plan includes moving Adrian Wright, the current deputy, into the Harbourmaster role. A recruitment process for a new Deputy Harbourmaster is underway, and should be expedited.
	 Resourcing of the Harbourmaster activities was an identified constraint with reliance on contractors and external parties to assist with on water compliance with navigation safety bylaws and Maritime Rules, and HBRC asset maintenance, for example AtoN.
	4) The HBRC is working on updating the 2020 version of its Memorandum of Understanding with the Napier City council in relation to the work being undertaken in the Ahuriri Inner Harbour. This is to be encouraged.

 During the review of the HBRC SMS it was identified by the panel that the HBRC could clarify and document local iwi as a stakeholder(s).
6) Emergency response plans were reviewed and discussed and the real world example of the response to Cyclone Gabriel, the response was seen as a collaborative process between the Port, the Harbourmaster, NZ Police and FENZ. The Port didn't follow a strict Coordinated Incident Management System approach (CIMS), however they did follow some of the principles. The organisation could review the Cyclone response and its emergency plans to see if a CIMS approach would be useful during any future events.
7) During the review of the risks, hazards and controls the Harbourmaster explained some of the risks that occur as part of the management of the inner harbour that is owned and operated by the Napier City Council include dealing with abandoned boats, drug and gang related activity. It would be useful for the HBRC and the NCC to review its Council, Department and task level risk registers to ensure that the appropriate controls are in place to manage these risks. The risk management activities could be clarified in the MoU review.
8) The HBRC incident data management could be improved, the current system has limited ability to report on consolidated data with a specific navigation safety focus so that the analysis of accidents and incidents and trends can be completed. The ability to consolidate data will assist with the annual risk assessment reviews and targeting resource and activities on any emerging issues.
9) Given the large area covered by the Bylaws, including significant inland waterways, and the popularity of recreation on the water in the region, enforcement of the Bylaws would be better achieved if the Harbourmaster had access to a suitable vessel for presence and patrol activity.
10) The Port Company Marine Operations Management System (MOMS) development was discussed during the review, the development plans have been delayed by the cyclone and wharf 6 development. The documentation in some cases needs to be updated to current practice. The volume of change and the change management practices could be clarified to ensure that changes are coordinated and that individual projects and outcomes are integrated into the documented systems as they are adopted.
The links to navigation safety and the relevance of MOMS to the PHMSC are the risk management and controls documentation for scheduling, fatigue management, passage plans, pilotage, towage, personnel transfer at sea, mooring, emergency response and training. The organisation has plans to reset the timeframes and completion dates for this project now that it is progressing from response and consolidation from the impacts of the cyclone to business as usual. This is to be encouraged and the peer review team thought that the process will improve and reinforce the good systems in place.
servations (Lower level / procedural observations)
 The NP Marine Service Management Manual (version Feb 2024) references of the Health and safety in Work act (Page 5) and the old hierarchy of controls i.e. Eliminate Isolate Minimise (EIM), it is useful to note that the risk assessments used by the organisation do use the appropriate legislative and hierarchy of controls.
 The Napier Port document management system had a number of procedures that were overdue for review, the organisation could review the

2) 3) 4)	The Napier Port company risk registers in some cases have hyperlink's to control documentation to help provide clear links between documents and produce a single point of truth where updates to controls need only be documented in one place, this is a useful mechanism. The Port Company has identified that fatigue is a significant risk for the organisation and has developed a fatigue management software (FAID) this was outlined during the review and provides a good survey and feedback mechanism for managing fatigue. The process is still being developed and worked on and the FAID software is seen as a key tool to manage activity to ensure that appropriate controls are in place. The Hawke's Bay Regional Council Napier Pilotage Area Risk Assessment document is a shared risk assessment process with input from the Harbourmaster, Napier Port and the Napier City Council to gain a common understanding of risk in the Napier Pilotage area is a useful exercise and a indicator of collaboration. Trelleborg eMPX Master pilot exchange is used to plan, share and review information, and confirming vessel details before pilotage. The system also downloads information from the Harbourmaster management system. The information and plans are sent to the ships 24 hours in advance, this was seen as a useful system. The Use of Technology and Artificial Intelligence by the Napier Port and now offered to other organisations is a planning and resource allocation software. The software offers berth information, anchoring information and eveloped by the Napier Port and now offered to other organisations is a planning and resource allocation software. The software offers berth information, anchoring information and availability including when pilots are required and the tugs and other resources
3) 4)	organisation and has developed a fatigue management software (FAID) thi was outlined during the review and provides a good survey and feedback mechanism for managing fatigue. The process is still being developed and worked on and the FAID software is seen as a key tool to manage activity to ensure that appropriate controls are in place. The Hawke's Bay Regional Council Napier Pilotage Area Risk Assessment document is a shared risk assessment process with input from the Harbourmaster, Napier Port and the Napier City Council to gain a common understanding of risk in the Napier Pilotage area is a useful exercise and a indicator of collaboration. Trelleborg eMPX Master pilot exchange is used to plan, share and review information, and confirming vessel details before pilotage. The system also downloads information from the Harbourmaster management system. The information and plans are sent to the ships 24 hours in advance, this was seen as a useful system. The Use of Technology and Artificial Intelligence by the Napier Port was viewed by the peer review group as an example of good practice. The Sharewater system adopted and developed by the Napier Port and now offered to other organisations is a planning and resource allocation software. The software offers berth information, anchoring information and future arrivals. This assists with resource allocation and availability
4)	 document is a shared risk assessment process with input from the Harbourmaster, Napier Port and the Napier City Council to gain a common understanding of risk in the Napier Pilotage area is a useful exercise and a indicator of collaboration. Trelleborg eMPX Master pilot exchange is used to plan, share and review information, and confirming vessel details before pilotage. The system als downloads information from the Harbourmaster management system. The information and plans are sent to the ships 24 hours in advance, this was seen as a useful system. The Use of Technology and Artificial Intelligence by the Napier Port was viewed by the peer review group as an example of good practice. The Sharewater system adopted and developed by the Napier Port and now offered to other organisations is a planning and resource allocation software. The software offers berth information, anchoring information and future arrivals. This assists with resource allocation and availability
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	needed.
	The system has a mobile app so that the system information is available a all times remotely.
6)	Reliability of the vessels is also being looked at and the Port is starting to use Right Ship as a tool to assess the individual risk of ships coming into the Port. This is seen as a potentially useful tool however the Peer review team thought that it will take some time to prove the accuracy of the data.
7)	The close relationship with the Harbourmaster and Port ie office in the Por building for the Harbourmaster
8)	The Port use an application called SAI360, this is used for incident, risk management, alerts and permits. The Harbourmaster has access to this system to assist with alerts and permitting. The use of SAI360 for recording incidents and risk management was seen as a very useful tool, allowing access to the harbourmaster to enable alerts and permitting management adds to this system functionality.
	MS for the Port of Napier and The Hawkes Bay Regional Council is Code tent at time of the SMS review undertaken on 27th and 28th March 2024
T	8) he SM

(Note any specific areas for attention at next review or assessment)	 The next review should look at progress on the identified areas for improvement including the progress on: HBRC Awareness communication regarding the Code and Code signatory obligations amongst the wider council and Councillors. The Port MOMs project. HBRC MoU with NCC Acquisition of a suitable vessel for use by the Harbourmaster.
Signed and dated by panel	

The review reports remain confidential to the parties concerned. In keeping with the partnership arrangement of the Code, we should like to share this report with Maritime NZ if both port and harbour agree.

Please complete:

Regional Council harbourmaster	Yes	No					
Port Marine Manager	Yes	No					

Appendix 1: Documents -- information reviewed

Hawkes Bay PHMSC Peer review

- Hawke s Bay Formal Letter and Request
- Preparation for Code review of SMS March 2024 Final
- Past reviews and assessment
- SMS Joint Self Assessment NP HBRC June 2023 Final
- SMS Review Panel Report Napier 2021 (RP final 11 November 2021).PDF

Corporate Documents and Minutes

- CD0025-Quality Management Policy-2024_02_15
- HBRC & Napier Port MoU 2022
- HBRC & NCC MOU 2020
- HBRC ISO Audit Report Dec 2023
- NP HM MNZ Meeting Minutes February 2024.docx"
- Preparation for Code review of SMS HBRC
- QMS Audit Report July 2023.pdf"
- QMS Audit Schedule 2023.docx"
- QMS Audit Schedule 2024.docx"
- QMS Meeting Agenda February 2024.docx"
- QMS Meeting Minutes February 2024.docx"
- QMS Objectives 2023.docx"
- QMS Objectives 2024.docx"

Risk and Issues Assessment Documents

- 6Wharf info.pdf
- Accident Incident Investigation Framework 2019 Final.docx
- Accident Incident Investigation Procedure.docx

SMS Review panel report FINAL D22/7137

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Item

Attachment 1

- All_Incidents_010123_311223.xlsx
- Bunkering Permit to Work Form.pdf
- Copy of Risk Register Ahuriri Nov 2022.xlsx
- Copy of Risk register Kaweka Nov.2022.xlsx
- Copy of Risk register Pania Nov 2022.xlsx
- Copy of Risk register Te Mata Nov 2022.xlsx
- Copy of STU Processes (Napier).xlsx
- Dive Operations.msg.msg
- HBRC Risk Assessment Overview.PDF
- Managing Incidents Flowchart.pdf
- METHANE Emergency Notification Protocol.pdf
- MOMS Project Napier 2020.pptx
- Napier Port Emergency Management Plan_01_July_2021.docx.pdf
- Napier Port Emergency Management Plan_01_June_2022.pdf
- NAPIER~1.DOC
- NAPIER~2.PDF
- Napier-Port-MasterPlan_Preliminarydraft.pdf
- PP Risk Assessment inbound 2021.xlsx
- PP Risk Assessment outbound 2021.xlsx
- Project Charter Mooring Systems (Safety Improvements) Review.docx
- Risk Register as at Aug 2023 Sent out for Feb 24 update.xlsx
 NARIER 2 RDF"
- NAPIER_3.PDF"
- Napier Pilotage Area Risk Assessment.pdf"

SMS Documents

- Marine Services Management Manual.pdf
- Maritime Transport Operator Plan Jan2024.docx
- Maritime Transport Operator Plan Jan2024.pdf
- Maritime Transport Operator Plan June2021.pdf
- Napier SMS Review Report FINAL August 2017.PDF
- NapierSMS Joint Self-Assessment NP HBRC June 2023 Final.PDF
- Tug Orders.pdf
- Vessel MOSS Manual 2022.pdf
- Vessel MOSS Manual Jan2024.docx
- Vessel MOSS Manual Jan2024.pdf
- Hawke's Bay Navigation Safety Bylaw 2024 (1).pdf"
- Dive Permit Fillable.pdf"
- HBRC Harbour SMS.pdf"
- Hot Work Permit.pdf
- Engine Immobilisation Permit.pdf"

Pilotage

- 5041 SHT42 REV0 30th November 2023 PEL Sector light audit.pdf
- 5041 SHT43 REV0 16 FEBRUARY 2024 Navigation Aid Position Audit.pdf
- 5341-SHT609-REVI 6 Wharf Development Nav Aids Ammendment LINZ.pdf
- ATD Tug Training manual.pdf
- Berthage and cargo advice 2023.docx
- Copy of PPU Safepilot.xlsx
- Daily Duties.docx
- DUKC Template Latest version.docx
- Marine Coordinator and Planning Manual.docx
- Marine Coordinator Training Plan.docx
- Marine-Fact-Sheet-23-1.PDF
- Maritime Transport Operator Plan Jan2024.docx
- Maritime Transport Operator Plan Jan2024.pdf
- Maritime Transport Operator Plan June2021.pdf
- Mooring Manual.pdf
- MP MAN 003 Pilotage Operational Parameters.docx
- Navigation Aid Audit February 2024.msg
- Navigation Aid Audit November 2023.msg
- Navigation Buoy Recovery and Deployment Procedure 24Jan24 DRAFT.docx
- Pania Deckhand Training.pdf

SMS Review panel report FINAL D22/7137

- Pania Launchmaster Training.pdf
- Pilot Proficiency Plan.docx
- Pilots Manual.docx"
- Tug Deckhand Training.pdf
- Tug Engineers Manual.pdf
- Tug Engineers Seaways Training.pdf
- Tug Orders.pdf
- Vessel MOSS Manual 2022.pdf
- Vessel MOSS Manual Jan2024.docx
- Vessel MOSS Manual Jan2024.pdf
- VSP Tug training manual June 2023.pdf
- Week 2 Quiz.docx
- Week 3 Quiz.docx
- Week 4 Checklist.docx
- Napier Port Hydrographic Survey Manual
- For the Reviewed Parties instructions
- Code Peer Review- document list
- Preparation for Code review of SMS February 2021 FINAL
- For the panel background
- Code August 2020 FINAL.DOCX
- Preparation for Code review of SMS February 2021 FINAL DOCX
- Principles for Marine Risk Management (FINAL) .DOCX
- SMS Reviews Guidance for panel~January 2021.DOCX

Operational Policies

- ATD Tug Training manual.pdf
- Copy of PPU Safepilot.xlsx
- Daily Duties.docx
- Marine Coordinator Training Plan.docx
- Pania Deckhand Training.pdf
- Pania Launchmaster Training.pdf
- Pilot Proficiency Plan.docx
- Tug Deckhand Training.pdf
- Tug Engineers Manual.pdf
- Tug Engineers Seaways Training.pdf
- VSP Tug training manual June 2023.pdf
- Week 2 Quiz.docx.
- Week 3 Quiz.docx.
- Week 4 Checklist.docx.

Additional Documents Requested by the Panel

- 1 Wharf Mooring.jpg"
- 2 Wharf Mooring (2).jpg"
- 2N Wharf Mooring (1).jpg"
- 2S Wharf Mooring (1).jpg"
- 3 Wharf Mooring (1).jpg"
- 4 Wharf Mooring (1).jpg"
- 5 December 2023 Minutes.docx"
- 5 Sep 2023 Minutes.docx"
- 5 Wharf Mooring.JPG"
- 6 Wharf Mooring.JPG"
- 9 October 2023.docx"
- 14 Nov 2023 Minutes.docx"
- 16 January 2024 Meeting.docx"
- 18 December 23.docx"
- 21 Nov 2023 Minutes.docx"
- 22 Jan 24.docx"
- 25.09.23.docx"
- 26 feb 24.docx"
- 26-02-24.docx"
- 29 jan 24.docx"

SMS Review panel report FINAL D22/7137

Attachment 1

30 January 2024 - Minutes.docx"

Hawke's Bay Port & Harbour Marine Safety Code Review Report - 2024

- Arr #1 PST.jpg*
- Arr #1 SST.jpg"
- Arr #2N PST.jpg"
- Arr #2N SST.jpg"
- Arr #2S PST.jpg*
- Arr #3E PST (1).jpg"
- Arr #3E SST.jpg*
- Arr #4 PST.jpg"
- Arr #4 SST.jpg"
- December 4-12-23.docx"
- Dep #1 PST.jpg*
- Dep #1 SST.jpg"
- Dep #2N PST (1).jpg"
- Dep #2N PST.JPG"
- Dep #2S PST.jpg"
- Dep #2S SST.jpg"
- Dep #3E PST.jpg"
- Dep #3E SST.jpg"
- Dep #4 PST.jpg" Dep #4 SST.jpg"
- FP Meeting Minutes 05.02.2024.docx"
- FP Meeting Minutes 08.01.2024.docx"
- FP Meeting Minutes 12-02-2024.docx"
- Investigation Report 1611 Findings and Prevenative Actions-Master copy.xlsx"
- Marine Emergency Response 2024.doc" .
- ShoreTension Line Failure Report Revision A -SMS.pdf"

Appendix 2: Documents and Digital Systems - Discussed during the onsite reviews

- NP Marine Operations Management System (MOMS)
- NP SAI360 System
- NP SharePoint
- NP Tug surveys in Smart Asset
- NP Mooring manual
- NP Policy for dredging and maintenance
- NP Fatigue management
- NP GIS Port activity map
- NP FAID software
- Rightship
- eMPX
- Sharewater Port Control
- Al for weather machine learning
- Napier pilotage risk register
- NP 2024 compliance calendar
- NP Emergency response trials table
- HBRC Mahi Peninsular rocket launching restrictions
- HBRC Web based reporting system
- HBRC Jet Ski PWC Registration
- HBRC IRIs compliance reporting tool viewed, prosecution REQ-25368 was viewed 04/03/2023 Dangerous maritime activity
- HBRC social media posts
- HBRC AIS
- HBRC Nintex maintenance system

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Chec	klist for panel members	Yes/No or other comments
Eviden	ce sighted:	
> Co	de application	Yes
≻ Ha	rbour risk assessment	Yes
≻ Ha	rbour safety policy	Yes
≻ Ha	rbour safety plan	Yes
> Sta	tement of duties and powers	Yes
≻ Mo	U's and SOP's	Yes
> De	legations	Yes
	w bylaws and directions will be enforced and resources ficient to undertake this work	Yes
≻ Em	ergency response plans	Yes
> Ani	nual audit report of SMS	Yes
> SM	IS group minutes	Yes
≻ Inc	ident reporting	Yes
Have y	ou seen evidence of:	Yes/No or other comments
-		
	ship of and commitment to SMS at top level in both council rt operator organisations	Yes
and po (e.g. in		Yes
and po (e.g. in annual	rt operator organisations n long term community plan or annual plan, port operator's	Yes
and por (e.g. in annual Delinea	rt operator organisations n long term community plan or annual plan, port operator's reports or company websites)	
and po (e.g. in annual Delinea Roles a	rt operator organisations n long term community plan or annual plan, port operator's reports or company websites) ation of navigation safety responsibilities	Yes
and poi (e.g. in annual Delinea Roles a Staff ar A well-t	rt operator organisations n long term community plan or annual plan, port operator's reports or company websites) ation of navigation safety responsibilities and responsibilities are understood in practice	Yes
and po (e.g. in annual Delinea Roles a Staff ar A well-t reviewe comple	rt operator organisations a long term community plan or annual plan, port operator's reports or company websites) ation of navigation safety responsibilities and responsibilities are understood in practice re qualified and competent functioning harbour safety plan or manual that is regularly ed and updated (the annual SMS self-assessment has been	Yes Yes Yes
and poi (e.g. in annual Delinea Roles a Staff ar Staff ar eviews comple	rt operator organisations a long term community plan or annual plan, port operator's reports or company websites) ation of navigation safety responsibilities and responsibilities are understood in practice re qualified and competent functioning harbour safety plan or manual that is regularly ed and updated (the annual SMS self-assessment has been ted within the timeframe stated in the plan or manual) g relationships are well documented and function well ts involving ships within jurisdiction are reviewed and risks	Yes Yes Yes Yes

Hawke's Bay Regional Council

Audit Close Report to the Risk and Audit Committee for the year ended 30 June 2024

Issued: 18 October 2024



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EY WELCOME CONTENTS Dear Risk and Audit Committee Members 03 12 Executive Summary Audit Differences We have substantially completed our audit of Hawke's Bay Regional Council ("Council" or "HBRC") and the consolidated Group ("the Group") for the year ended 30 June 2024. We acknowledge the significant amount of recovery and resilience work completed with respect to flooding and weather events during the year and thank your staff for the assistance provided to us during the audit on top of the busy year. 13 04 Subject to the resolution of the outstanding matters in Appendix B, we confirm that we will issue a gualified audit report including an emphasis of matter. The gualification relates to the Areas of Audit Focus Assessment of Control previous year's gualification regarding the Council's infrastructure assets having a flow on Environment effect to other comprehensive revenue and expense in the current year (refer to page 5 for Infrastructure Assets & PP&E 04 details) and the emphasis of matter paragraph draws readers' attention to the inherent. uncertainty associated with quantifying GHG emissions. Cyclone Recovery and Other 06 Grants This report is intended solely for the use of the Council, and senior management of HBRC, and 14 should not be used for any other purpose nor given to any other party without our prior Investment Property 07 written consent. Appendices Integrity of Rates Strike, Rates 08 We look forward to the opportunity of discussing with you any aspects of this report or any Invoicing and Collection A. Other Required Audit other issues arising from our work at the Council meeting on 23 October Committee Communications Performance Reporting 09 If you have any queries in the meantime, please feel free to contact David on 021 923 431 **Financial Assets** 10 **B. Outstanding Matters** Borrowing & Derivatives 11 Yours faithfully C. Independence Expenditure, Procurement and 11 Tendering D. System of Quality Management **David Borrie** Partner 18 October 2024 © 2024 Ernst & Young New Zealand

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Attachment



EY | Hawke's Bay Regional Council | For the year ended 30 June 2024

Infrastructure Assets & Property Plant & Equipment (PP&E)

Our Understanding

Infrastructure assets and PP&E are significant balances on the Council's balance sheet and at 30 June 2024 the carrying values were \$474m and \$38m respectively (2023: \$199m and \$38m).

Infrastructure assets primarily comprise of land, stopbanks, drainage networks, sawfly works and parks and wetlands and are valued at Optimised Depreciated Replacement Cost (ODRC).

Infrastructure assets are revalued triennially by an external valuer using a mix of actual costs incurred by HBRC in constructing similar assets and externally sourced unit costs. At 30 June 2023 a valuation of infrastructure assets was due to be completed but wasn't performed as a result of recent weather events. Our 2023 audit report included a qualification in respect of the value of infrastructure assets at that date.

A full valuation of assets was performed at 30 June 2024 for the following

- Infrastructure Assets
- Hydrology equipment

Accounting standards also require an impairment assessment of assets where there are objective indicators of an impairment which includes damage caused by weather events. We note that there is no impairment for all assets except for hydrology equipment as a result of revaluation as at 30 June 2024.

The valuation for Land and building used for administration were carried out in 2022. To consider whether values have moved materially since last valuation, management completed an assessment with reference to prevailing market values and cost rates at 30 June 2024.

AREAS OF AUDIT FOCUS

AUDIT DIFFERENCES

Our audit	procedures invo	lved the following
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CONTROL ENVIRONMENT

EY Perspective

- Held discussion with management and valuers to understand the process taken and professional judgement used to perform valuations.
- For PP&E classes that were not scheduled for revaluation in the current year, we
 reviewed management's assessment of movements in key assumptions underlying
 the historical valuation against current market factors such as comparable sales and
 their conclusion that full valuations were not warranted in 2024.
- Reviewing the fixed asset reconciliation of underlying data to the general ledger with a focus on significant additions and disposals during the year.
- Examining the appropriateness of depreciation against the estimated useful lives in the Council's accounting policies. We also considered the useful lives included in the most recent valuations.
- Testing on a sample basis the classification procedures relating to capital, renewal and maintenance work as well as cut off at year end for capital works to check if it is consistent with work completed at that point.
- Checked if there was appropriate disclosure within the financial statements.

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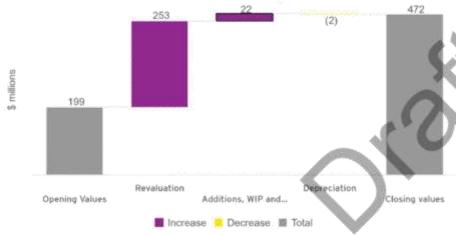
APPENDICES

EXECUTIVE SUMMARY

Infrastructure Assets & Property Plant & Equipment (PP&E)



Infrastructure assets movements for the year ended 30 June 2024



PPE assets movements for the year ended 30 June 2024



Capital asset additions and depreciation

We selected a sample of material infrastructure asset additions during the year and vouched these to supporting documentation and obtained assurance that only costs which fulfilled the capitalisation criteria under PBE IPSAS 17 Property, Plant and Equipment were capitalised.

Revaluation of Infrastructure assets

Council has performed revaluation of infrastructure assets as at 30 June 2024. The revaluation uplift is significant due a combination of factors including post COVID-19 economic conditions and supply chain disruptions which have driven significant construction cost increases nationally and globally.

Impairment of assets

The Cyclone Gabrielle has caused extensive damage across the area and infrastructure across th region was heavily impacted. Since the cylone, HBRC has undertaken substantial work to rebuild the damaged infrastructure. Most flood protection and drainage assets have now been reinstated to their pre-event levels of service.

The valuer stated that typically, the extensive damage to HBRC's stormwater and flood protection assets could indicate impairment. However, since a best estimate of impairment was made at the time of the event and assets have since been restored, no impairment was shown in the valuation performed.

Our audit procedures involved the following:

- Held discussion with management and valuers to understand the process taken and professional judgement used to perform valuations.
- We reviewed key assumptions and underlying data for the valuation used by the valuers and ensure data is complete and consistent input received from HBRC.

- Attachment 1
- Balanced QUAL MATIVE ASSESSMENT e and emergency
- Attachment 1 Item 7

EY | Hawke's Bay Regional Council | For the year ended 30 June 2024

Čyclone Recovery and Other Grants

Our Understanding

- Cyclone Gabrielle caused significant damage to the region's infrastructure, economy and community. Council plays an important role in the coordination of central government initiatives and funding to support local government and businesses in the region. Council is also responsible for repairing damaged flood protection assets and also improving future resilience and flood mitigations.
- In May 2023 Government allocated \$133.2m of funding for removal of sediment and debris on residential and commercial properties in the region and entered into two agreements for this to be distributed through HBRC. By 30 June 2024, this funding had increased to \$193.2m consisting of \$142.6m for local and regional councils and \$50.6m for commercial entities. At year end, funding that had been received was as follows:
 - \$142.6m for sediment and debris for local authorities of which \$17m was distributed to other Councils in the region and \$96.3m was recognised as grant income by HBRC representing costs incurred by 30 June 2024. The remaining balance of \$29.3m remains on the balance sheet as income in advance split between amounts held on behalf of other local authorities (\$7.1m) and an HBRC un-spent amount (\$22.2m)
 - \$50.6m for sediment & debris for commercial properties. This amount reflects a reduction of \$12m from 30 June 2023 transferred to local and regional council funding. \$40.4m was paid out as grants to commercial applicants and \$377k recognised as admin fee income by HBRC. \$834k was spent on advisory and administrative costs incurred to 30 June. The remaining balance of \$9m remains on the balance sheet as income in advance representing amounts held on behalf of commercial applicants. HBRC assessed the eligibility for applications submitted by commercial entities, and it has responsibility to check the funds are spent on the designated purpose.
- HBRC also received the following funding:
 - \$7.4 million from DPMC for Regional Recovery Agency administration. This fund was received 10 July 2023. As of 30 June 2024, \$5.1m remains as income in advance while \$2.3m was recognised as grant income.
 - \$5 million from MPI for woody debris clearance of which the remaining \$3.3m was received in December 2023. As of 30 June 2024, \$4.6m was recognised as grant income and \$359k unspent funds was refunded to MPI on 6 August 2024.
- In addition to the above, Council received payments from NEMA for Welfare claims and cyclone relief efforts and partial payment from private insurers for damage incurred.
- Council also continues to receive ongoing Waka Kotahi funding for bus services and road safety projects. For the year ended 30 June 2024, grant and subsidies from Waka Kotahi amounted to \$5.5m. Financial reporting standards require NZTA subsidies to be recognised as revenue, while a portion of the associated expenditure is capitalised.
- These grants typically require funding to be spent on a particular project or area of Council's
 operations with any unspent funds to be returned.

EY Perspective

We have performed the following audit procedures in order to validate the revenue and emergency works recognised during the year:

- Obtained agreements and amendments or correspondence between HBRC and central government (or other providers) for the funding approved and checked, on a sample basis, that the costs being recovered were in line with the funding agreement.
- Checked, on a sample basis, that revenue is being recognised in line with obligations/undertakings being satisfied.
- Examined costs claimed from Waka Kotahi, on a sample basis, to check the expenditure was allowed to be claimed. We also carried out an assessment of the reasonability of Waka Kotahi income and its completeness in consideration of the level of costs incurred for the period.
- For a sample of revenue recognised in the year across all grants, we have vouched receipt of funds to bank.
- Assessed all transactions posted in relation to funding proceeds from NEMA in relation to infrastructure strengthening. We have checked the listing post-YE to ensure completeness and address risk of understatement. We have vouched the receipt of all claims and checked that it has been accounted in the correct period.
- Assessed the disclosures in the annual report in relation to each funding is in line with relevant accounting standards.

Council recognises liabilities for funds received until costs are incurred. For the funds allocated to HBRC for sediment and debris, approximately \$96.3m was spent at 30 June 2024 of which a corresponding amounts of funding was recorded as grants income.

In addition, HBRC is responsible for allocating and ensuring funds provided to other entities are spent on approved purpose and in line with the contractual agreements with government agencies. Therefore, it is important that focus is placed on the contractual clauses included within contracts with fund recipients for funds that require return to Central Government agencies if not spent on the approved purpose.

Key Judgements: Recognition of grants, appropriateness and measurement of costs claimed Relevant accounting standards: <u>PBE IPSAS 23 Revenue from Non-Exchange Transactions</u> Level of complexity or management judgement: <u>MEDUME</u>

EXECUTIVE SUMMARY

AREAS OF AUDIT FOCUS

AUDIT DIFFERENCES

CONTROL ENVIRONMENT

APPENDICES

EY | Hawke's Bay Regional Council | For the year ended 30 June 2024

ltem

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Attachment

Cusitative Assess

Investment Property

Our Understanding

HBRC leasehold properties in Napier and Wellington are recorded as investment property (IP) at fair value.

The Napier leasehold endowment portfolio comprises of 134 individual properties, all being residential and 1 commercial lease. These are all perpetual renewal ground leases with all but 1 being subject to a 21 year review. Many leases have the rents at prescribed 5% of land value on review. Under the Hawke's Bay Endowment Land Empowering Act 2002, freeholding is only allowed to the current lessee under a specified valuation methodology.

The Wellington portfolio comprises of 11 properties located in inner residential and commercial areas of Wellington.

IP is revalued annually in line with accounting policies by registered independent valuer. Telfer Young. The valuation requires significant judgement as fluctuation in assumptions including yield can materially impact the valuation outcome.

The valuation is based on a capitalisation approach and a discounted cash flow analysis. The results of both valuation approaches have been considered and the end value recommended is effectively a blend of the two approaches.

As at 30 June 2024 the portfolio of Investment property was valued at \$66.7m (2023: \$67.2m).

Components	Fair value (\$m)	Movements in value (\$m)
Napier Endowment properties	42.0	0.27
Wellington properties	24.1	(0.75)
Other	0.6	0.02
Total value	66.7	(0.5)

Overall market value decreased by \$0.5m compared to 2023 due to higher land value growth and discount rates. The drop is mainly driven by the sale of one property in Wellington which has been excluded in the current year valuation.

Our audit procedures on Investment property valuations included the following procedures:

- Reviewed key assumptions used in the valuations and assessed whether they are
 reasonable, in accordance with accounting standards
- Made inquires directly of CBRE to understand the changes to significant judgements and assumptions they have applied in the valuation
- Tested, on a sample basis, property specific information supplied to the valuer by management to the underlying records held by the Council
- We understood the changes to the market and the portfolio which would result in movements in assumed discount rates and tenure periods
- Obtained assurance as to the valuers' independence and objectivity
- Considered the appropriateness of management's disclosures of the key estimates and judgements for investment property within the financial statements

We are satisfied the assumptions and approach applied to the valuations provides a reasonable basis to determine asset values for financial reporting. We note the valuation is based on assumptions and underlying data including:

- Existing and proposed tenancy arrangements;
- Rental growth assumptions based on prevailing economic and market conditions as at the date of valuation;
- The current condition of properties; and
- Estimated capitalisation and discount rates

We are satisfied the values of investment properties at	30 June	2024 is reasonable and
reflects market values pertaining at year end.		

Key Judgements: Discount rate, average occupancy period and market rental yields

Relevant accounting standards: PBE IPSAS 16 Investment Property

Level of complexity or management judgement:

CONTROL ENVIRONMENT

6

- EY | Hawke's Bay Regional Council | For the year ended 30 June 20 Integrity of Rates Strike, Rates Collection Our Understanding Rates income levied represents the Council's primary revenue summary of the rates revenue recognised by the Council. Rates revenue Uniform annual general charges General rates on land value Targeted rates Rates remitted and penalties **Total value** There is specific legislation in place which must be adhered lawful. Failure to comply with rating law and the associated can create risks to the integrity of rates revenue. The requirement for there to be consistency between the rate
 - Impact Statement for that year, and the Revenue and Finan plan is fundamental because this is the thread that links con rates levied by Council. The year ended 30 June 2024 is the 2031 LTP.
 - The accuracy of rates revenue is dependent on the integrity reliability of the rates billing system is also key to rates bein

AREAS OF AUDIT FOCUS

AUDIT DIFFERENCES

	"你就这是这家爱不爱在了你就要没有我不会在这些资源会不敢没有这些感受不能要找这个就是没有没有没有没有。" "你们还是你不是你们还不会不会?""你们还是你们还不是你们还是你不是你们还不是你们的你?""你们"。"
024	· · · · · · · · · · · · · · · · · · ·
12.4	Belanced Balanced Balanced
	EY Perspective
	CHALITATIVE ASSESSMENT
Invoicing and	
	Our work in relation to rates revenue and debtors included:
	 Testing Council's rate setting processes including testing the accuracy of the underlying valuation information.
ue source. Below is	 Reviewing Council's procedures for ensuring the rates set is compliant with the Local Government Rating Act.
A	Examined the application of the rates set to the rating database.
2024 2023 (\$m) (\$m)	 Reviewing the billing to specific ratepayers and subsequent collection on a sample basis.
4.3 4.6	 Reviewing the provision for doubtful rates debtors to consider whether it is appropriate in the circumstances.
8.6 9.1	
27.9 20.4	
0.2 0.6	1. 使用分型的复数使用的有效的变形的变形的变形的变形的变形的变形的变形的变形的变形的变形的变形。 1. 使用分型的复数使用的有效的变形的变形的变形的变形的变形的变形的变形的变形的变形的变形的变形的变形。
40.9 34.7	
to for the rates strike to be	
consultation requirements	
ter moduling the Euclide	
tes resolution, the Funding cing Policy in the long term	
nmunity consultation to the	
e third year of the 2021-	
of the rates database. The	
g billed appropriately.	
	· 这些爱望· 我们的家族是要要的朋友你的教育都能在教育教育教育教育教育教育教育教育教育教育教育教育教育。
	Key Judgements: Compliance with the Local Government (Rating) Act and provisioning for outstanding rates debtors.
	Relevant accounting standards: PBE IPSAS 23 Revenue from Non-Exchange Transactions
	Level of complexity or management judgement: (MCDRUM)

CONTROL ENVIRONMENT

APPENDICES

EXECUTIVE SUMMARY

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Attachment

Balanced EY Perspective We carried out the following audit procedures in assessing the effectiveness of the Council's nonfinancial performance reporting: Obtained understanding of key performance reporting processes and reviewed the collation methodologies applied by Council. Non Performance results Examined, on a sample basis, the Statement of Service Performance to determine that the measures have been reported on and outputs have been achieved where stipulated. For the selected measures this included obtaining the underlying supporting documentation and reperforming the calculations. Assessed the completeness and effectiveness of the performance framework utilised. Checked whether all mandatory performance measures stipulated by the Non-Financial Performance Measures rules 2013 have been included in Council's reporting. We recommended further enhancements to the selected measures that can be incorporated into the upcoming long term planning process. Greenhouse Gas emission measure: Our audit procedures on the GHG emission measure included Obtaining and reviewing the EKOS Inventory reports. Assessing whether the reports covered adequately factors that are normally included in GH0 inventory report. On a sample basis tested the accuracy of the GHG activities and related emission factors applied to externally sourced documentation. Obtained and placed some reliance on the audit report issued by McHugh & Shaw (third party auditors) engaged by the Council and EKOS to complete an audit of EKOS report. Assessed the adequacy of the disclosures included in the annual report that describe the judgements involved in determining the reported results. We noted quantification of GHG emissions is subject to inherent uncertainty because scientific knowledge and methodologies to determine the emission factors and processes to calculate and estimate quantities of GHG sources are still evolving. Consequently, our audit report will include an emphasis of matter paragraph that draws readers' attention to the disclosures in the annual report in relation to this measure. This does not constitute a gualification and is consistent with the approach taken to other Councils in the sector reporting GHG emissions measures. Key Judgements: Selection of measures relevant to reporting non-financial performance Level of complexity or management judgement:

CONTROL ENVIRONMENT

EY | Hawke's Bay Regional Council | For the year ended 30 June 2024

Performance Reporting

Our Understanding



- Council is required to report its performance against performance measures included in the Long-Term Plan (LTP). These measures are key to the Council providing a 'performance story' to the community.
- Our audit opinion on the service performance report covers compliance with generally accepted accounting practice, and whether or not the service performance report fairly reflects the Council's actual service performance for the period.
- The performance framework was set as part of the 2021/31 LTP is applicable to the current. financial year.
- We have selected measures we deemed significant across the groups of activities for detailed testing in the context of our audit of the 2023/24 annual report. However, we have considered the entire performance report as part of our feedback to management.
- Hawke's Bay Regional Council, like many local authorities, have declared a climate emergency. Not dissimilar from other local authorities climate change is a focus area for the Council and this was considered in developing the 2021-31 Long Term Plan. As a result the Council included a performance measure in the Long Term Plan to measure its progress towards reducing emissions. The performance measure quantifies HBRC's emissions with a target of reducing this over time. Council continued to engage the services of EKOS to prepare GHG inventory report for the year ending 30 June 2024. Where an entity includes such measures in their accountability documents and the annual report. climate related information included in the performance information is treated like any other performance measure in the annual report and therefore such measures are subject to audit.

AREAS OF AUDIT FOCUS

AUDIT DIFFERENCES

Item 7 Ernst & Young Audit Close report on year ended 30 June 2024

EXECUTIVE SUMMARY

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APPENDICES

Low Risk Focus Areas

Assessment Outcome

Difference

CONSERVATIVE

Qualitative Assessment

EY | Hawke's Bay Regional Council | For the year ended 30 June 2024

Areas of Audit Focus

Financial Assets

Background

 Council has a large managed investments amounting \$119m at 30 June 2024 (2023:

Council's investments in Hawkes Bay

Regional Investment Company (HBRIC)

(2023: \$344m). This investment is

eliminated at group level as Council

accounting standards.

offset by repayments.

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AREAS OF AUDIT FOCUS

consolidate its subsidiaries in line with

The increase in managed investments is a

result of increased market value of global equities between January to June 2024.

HBRC has community loans receivable of

\$19.8m (2023: \$19.7m) to support ratepayers transition to energy efficient

homes. The loans are repayable by a

targeted rate over 10 year period. The small increase is related to additional loans

granted during 2023/24 which are partially

AUDIT DIFFERENCES

CONTROL ENVIRONMENT

amounted to \$347m as at 30 June 2024

\$111m). The administration of investments is outsourced to Jarden and Mercer.

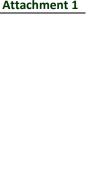


- Obtaining and evaluating the ISAE 3402 reports of the investment managers and custodians in order to place reliance over the external confirmations in regard to existence and valuation
- On a sample basis assessed the valuation of direct investments to externally sourced prices
- On a sample basis verifying the community loans movement during the year to agreements with ratepayers and the levy of rates to repay the loans
- Investments in HBRIC, our procedures included reperforming the fair value calculation based on externally sourced share prices and verification of HBRIC shares held.
- Assessing the appropriateness of disclosures in accordance with financial reporting standards.

We are satisfied with the existence and the valuation of investments at 30 June 2024.

Due to the investments in the HBRIC being carried at fair value, HBRC estimates the fair value by aggregating the fair values of HBRIC managed investments and the fair value of the underlying component entities within HBRIC. Through this exercise we noted, the calculation of the fair value was not considering the other net assets and liabilities of HBRIC at their percentage of ownership, omitting around a \$300k net liability . As a result, we recommended an audit adjustment which has been recorded in the financial statements.

APPENDICES



G)

EXECUTIVE SUMMARY

EY | Hawke's Bay Regional Council | For the year ended 30 June 2024

Attachment 1



Audit differences – performance reporting During the audit of the statement of service performance, we identify and aggregate any differences in performance measures based on a materiality of 2% - 5% or if the adjustment would change the outcome of the measure from achieved to non-achieved. There are no unadjusted audit differences pertaining to service performance reporting information.

CONTROL ENVIRONMENT

APPENDICES

Audit Differences

Financial Statements

The following table contains a list of the audit adjustments that have been corrected by management.

30 June 2024	Amount (\$000)	impact on P+L & OCI (Decrease) / increase (\$000)	Asset (Increase)/Decrease 30 June 2024 \$000
Carbon Credits Revaluations (Overstatement as a result of incorrect rate applied)	(1,180)	NIL	(1,100)
HBRIC Valuation CCO (Overstatement as net liabilities of HBRIC not accounted)	(296)	NIL	(206)
Total	(1,476)	NIL	(1.476)

AREAS OF AUDIT FOCUS

AUDIT DIFFERENCES

*Audit difference relates to the parent financial information only.

There were no unadjusted audit differences relating to the financial statements.

EXECUTIVE SUMMARY

EY | Hawke's Bay Regional Council | For the year ended 30 June 2024

Assessment of Control Environment

Internal Controls

As part of our audit of the financial statements and performance information, we obtained an understanding of the internal control environment to sufficiently plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

Throughout our audit we communicate to management observations regarding control matters and other issues arising from our interim and year end substantive procedures. The following table provides an overview of the number of observations and risk rating we have identified which includes IT controls.

Risk Ratings	H	M		Total
Open at 30 June 2023	-	1	5	6
Closed during FY 2024	-	-	(2)	(2)
New points raised in FY 2024	-	-	1	1
Total open points as at 30 June 2024		1	4	5

 High Risk - Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance.
 Action should be taken either immediately or within 3 months.

Medium Risk - Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within 6 months.

Low Risk – A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.

AREAS OF AUDIT FOCUS

We have not identified any significant deficiencies in internal controls as it relates to the financial statements and performance information.

Items considered of moderate and low risk ranking are items which provide management with improvement opportunities within their processes, however, were not considered to represent such a risk to the organisation that immediate management attention was considered necessary. Addressing these points assists management in further improving the processes and controls already in place and strengthens the control environment.

A detailed Report on control findings, including management comments, due date and person responsible for resolution will be prepared and distributed.

control	0	Unavation	•••••••••••••••••••••••••••••••••••••••	M 🕕	New Recurring
sk rating we	5	ppropriate receipting of expense claims a aff and ELT expenditure with the sensitive olicy	nd alignment of e expenditure	- E U O O O O O - A S O O O O O - A S O O O O O - A A S O O O O	*
Total		nproving the reconciliations and listing for		େବିହାର୍ବିହାର ଜେ≹ନେକ୍କାର	
6 (2)		erformance reporting: Performance measures selected and th be reportable annually Certain measures can be enhanced to fr and outcome rather than process	eir targets should	 1) (1) (1) (2) (2) (2) (2) (2) (2) (2) (2) (2) (2	
1	R	eview of earnings multiplier used for capit anagement and governance costs	alisation of HBRIC	00000000 000000	
5		ne up approval of sensitive expenditure			-
e mitigation	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	otal open points as at 30 June 2024		1 4	1 4
nance.	1000 1000 1000 1000 1000 1000 1000 100	·····································	· · · · · · · · · · · · · · · · · · ·	(於生秋西於溺) 見深秋谷の子) 見守南方代朝) 日本五人人	000 100 1000 000 0000 0000 0000 00000 000000
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AUDIT DIFFER	ENCES	CONTROL ENVIRONMENT	APPENDICES		page 13

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Attachment 1

EXECUTIVE SUMMARY

A. Other Required Audit Committee Communications 15 **B. Outstanding Matters APPENDICES** 16 C. Independence 17 D. System of Quality Management 18

A. Other Required Audit Committee Communications

Auditing Standards require us to report to you certain matters that are not otherwise detailed in this report.

Matter	How matter was addressed
Material uncertainty related to going concern	No conditions or events were identified, either individually or in aggregate, that muy cast significant doubt about Council's ability to continue as a going concern for 12 months from the date of our report.
Compliance with laws and regulations	We have not identified any material instances of non-compliance with Jaws and regulations.
Fraud and illegal acts	 We have made enquiries of management, regarding: Knowledge of any fraud or suspected fraud affecting the entity involving Management, employees who have significant roles in internal control; or others where fraud could have a material effect on the financial report. Knowledge of any allegations of fraud, or suspected fraud, affecting HBRC's financial information. Based on our enquiries and audit procedures, we did not become aware of any fraud or illegal acts during our audit.

AREAS OF AUDIT FOCUS

AUDIT DIFFERENCES

CONTROL ENVIRONMENT

APPENDICES

Item 7 Ernst & Young Audit Close report on year ended 30 June 2024

EXECUTIVE SUMMARY

(a)

B. Outstanding Matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

AREAS OF AUDIT FOCUS

Matter	Details	Respo	sibility		
Annual Report	Receipt of a complete annual report for our review	EY	0	-	
Summary Annual Report	Receipt of a complete summary annual report for our review	EY	0		
Consolidation workbook and supporting working papers for key disclosures	Receipt of finalised consolidation working papers and other work papers supporting key disclosures	EY	0		
Debenture Reporting	Receipt and review of signed reporting certificate and Trustee reporting information	EY	0		
Funding Impact Statement	Completing our such procedures over the funding impact statements	EY	0		
Financial Reporting Benchmarks	Completing our audit procedures over the financial reporting benchmarks	EY	0		
Grants and subsidies monitoring	Finalising our audit procedures over the DIA revenue testing, commercial grants testing and other grants testing	EY	0		
Payables	Receipt of listing for consents in advance to complete testing	EY	0		
Expenses	Finalising testing of remaining samples over the general expenses and receipt of supporting documents	EY	0		
Search for unrecorded liabilities	Finalising testing of sample payments made post balance sheet to assess appropriate cut-off and receipt of supporting documents until signing date	EY	Q		
Procurements	Finalisation of testing of samples selected and receipt of supporting documents	EY	0		
Journal Entry Testing	Finalisation of testing of samples selected	EY	0		
Subsequent events review	Completion of subsequent events procedures to the date of signing our audit report.	EY			
Representation letter	Receipt of a signed representation letter	EY	0	Key:	
Council approval of the full annual report and summary annual report	Receipt of signed full annual and summary annual report	EY	0	EY	EY responsibility
				0	Management Responsibility

AUDIT DIFFERENCES

CONTROL ENVIRONMENT

APPENDICES

EXECUTIVE SUMMARY

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Independence We confirm that we have complied with

We confirm that we have complied with NZICA Code of Ethics and the Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) independence requirements, and independence requirements of the Auditor General, and in our professional judgement, the engagement team and the Firm are independent.



APPENDICES

CONTROL ENVIRONMENT

ltem

C. Auditor Fees and Independence

There are no matters that, in our professional judgement, bear on our independence which need to be disclosed to the Council.

We are satisfied that all EY Offices that have provided services in the past or are currently providing services to Council have complied with the relevant independence requirements. We are satisfied that the services provided by EY during the year ended 30 June 2024 do not impact our independence.

We are not aware of any other relationships between the Firm or other firms that are members of the network of EY firms and Council that, in our professional judgment, may reasonably be thought to bear on independence.

We highlight the following services that we have or will perform in respect of the year:

Description of relationship or service	Period Provided	Safeguards adopted Feex 5
Debenture Trust Deed reporting	FY24	Independent assurance services 3,500
Total non-audit fees		3,500

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. Our fee for the audit of the financial statements is \$202.5k excluding disbursements and OAG Audit Standards and Quality Support charge.

We also complete the Audit of Council's subsidiaries (HBRIC, FoodEast and the Port of Napier). Our audit fee is separately agreed with the respective entities.

For the non assurance services provide, a pre-concurrence from Councillors is require for us to proceed with these services. The accompanying document summarises our independence assessment of non-audit services historically provided to HBRC which we may be engaged to provide again. Where required we will seek pre-concurrence of proposed services prior to commencement.

AREAS OF AUDIT FOCUS

AUDIT DIFFERENCES

EXECUTIVE SUMMARY

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Attachment 1

D. System of Quality Management

International Standard on Quality Management 1 (ISQM 1) overview EY's approach to quality management

Professional and Ethical Standard 3 ("PES 3", which is the NZ version of ISQM 1) is applicable to all firms that perform audits and other similar engagements. As a result, we are required to design, implement and operate a system of quality management ("SQM") to provide reasonable assurance that:

- The member firm and its personnel fulfil their responsibilities in accordance . with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements
- Engagement reports issued by the member firm or engagement partners are • appropriate in the circumstances

We are also required to monitor, remediate and annually evaluate the SQM as well as communicate to those charged with governance how the SQM supports the consistent performance of quality engagements. The following slides explain our approach and the results of our most recent assessment.

Individuals with SQM roles have the appropriate experience, knowledge, influence and authority, and sufficient time to fulfil their System of Quality Management roles and are accountable for fulfilling their responsibilities.

Key roles within the SQM include:

- The Country Managing Partner: assigned ultimate responsibility and ٠ accountability for the SQM by concluding on its effectiveness.
- The Country Assurance Managing Partner: assigned operational responsibility ٠ for the System of Quality Management. This includes recommending the System of Quality Management annual evaluation conclusion to the Country Managing Partner.
- The Country Independence leader: assigned operational responsibility for . compliance with independence requirements.
- The Country Professional Practice Director: assigned operational responsibility ٠ for monitoring the SQM including concurring with or proposing changes to the recommended SOM annual evaluation conclusion.

The EY organisation is dedicated to delivering high-quality audits and assurance engagements and serving the public interest.

> Key elements of the EY organisation's SOM

Common processes, policies, programs and technologies

> Consistent quality objectives, quality risks and responses

Commitment to conduct highquality audits across the EY organisation

EY member firms, which include the relevant New Zealand firms, are ultimately responsible for the design, implementation, and operation of their SQM, and have the responsibility to:

- Evaluate policies, technologies, strategies, programs and baseline elements provided to them, and
- Determine if they need to be supplemented by the member firm to be appropriate for use

EXECUTIVE SUMMARY

AREAS OF AUDIT FOCUS

AUDIT DIFFERENCES

CONTROL ENVIRONMENT

APPENDICES

D. System of Quality Management (cont.)

SQM processes to support quality audits



- Provide relevant, reliable and timely information about the design, implementation and operation of the SQM and a basis for the identification of deficiencies in the SQM.
- Monitoring activities include monitoring the entire SQM ie.g., testing SQM controls, internal inspections of completed engagements, assessing member firm and personnel's compliance with ethical requirements related to independence).
- If deficiencies are identified, they are corrected on a timely basis and an action plan is designed, implemented and evaluated for effectiveness.

Risk assessment process

Annual evaluation conclusion

confide a

AUDIT DIFFERENCES

- Establishing quality objectives (based on PES 3 requirements).
- Identifying and assessing quality risks
- Designing and implementing responses (including policies, technologies and key controls).

Annual evaluation conclusion

- The annual evaluation conclusion:
- Is as of 30 June for all EY Member Firms performing engagements in the scope of PES 3
- Considers the results of monitoring activities

CONTROL ENVIRONMENT

APPENDICES

Item 7 Ernst & Young Audit Close report on year ended 30 June 2024

EXECUTIVE SUMMARY

AREAS OF AUDIT FOCUS

6

D. System of Quality Management (cont.)

SQM annual evaluation conclusion Effective

The annual evaluation conclusion for EY New Zealand is that that the objectives of the System of Quality Management are being achieved as of 30 June 2024 and that they support the consistent performance of quality audits and related engagements.

Note: In the context of the annual evaluation of the SQM, EY New Zealand refers to the following member firms performing audits or reviews of financial statements or other assurance or related services engagements: Ernst & Young (partnership), Ernst & Young Limited and Ernst & Young Strategy and Transactions Limited.

CONTROL ENVIRONMENT

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EY | Building a better working world

EY exists to build a better working world, helping to create longterm value for clients, people and society and build trust in the

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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capital markets.

ED None

This report is intended solely for the information and use of the Council and senior management. of Hawke's Bay Regional Council, and should not be used for any other purpose nor given to any other party without our prior written consent. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of this report, the provision of this report to the other party or the reliance upon this report by the other party.

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