

Meeting of the Risk and Audit Committee

Date: 12 February 2025
Time: 9.00am
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Attachments excluded from Agenda
Available online only

Item	Title	Page
4.	Risk management update	
	Attachment 1: HBRC Enterprise Risk Dashboard - January 2025	3
5.	External Audit Report - Control Findings for the year ended 30 June 2024	
	Attachment 1: EY Report on Control Findings for the year ended 30 June 2024	9

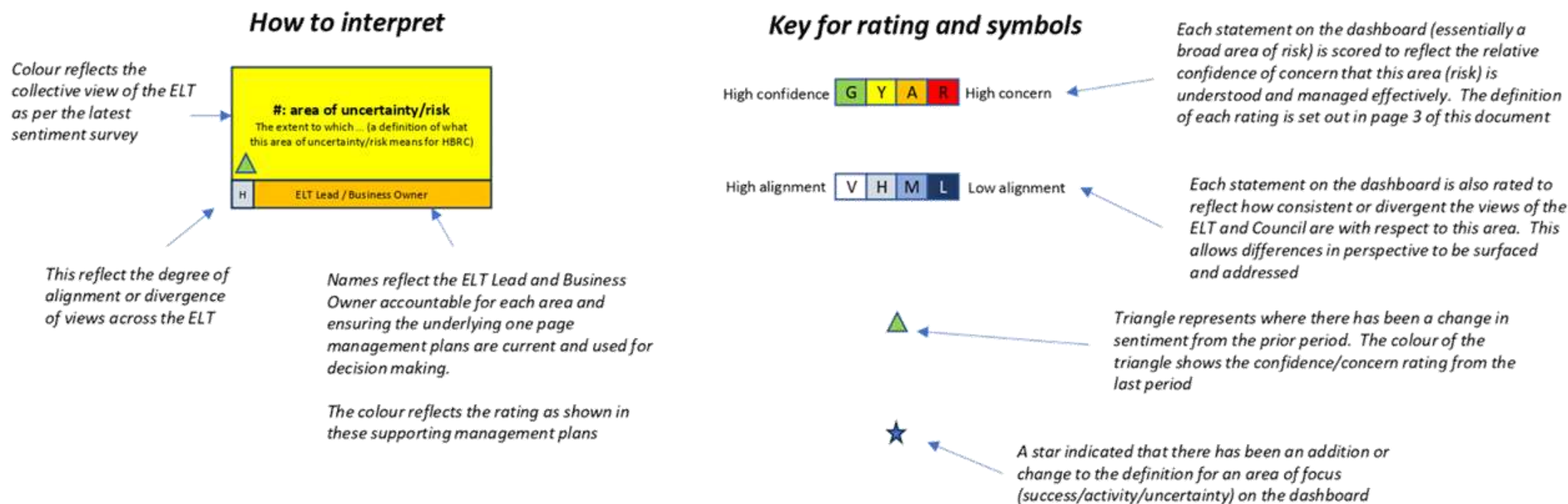
Attachment 1: HBRC Enterprise Dashboard

How the HBRC Enterprise Dashboard Works

This dashboard in effect presents the *Strategic Risk Profile for HBRC*.


Rather than traditional risk reports, that provide a list of ‘things that could go wrong’, this dashboard provides a broad overview of ‘the things that matter the most’ for HBRC, and expresses risk in terms of:

- **Our purpose and vision:** what we are here to achieve
- **Success:** what success looks like for us that broadly indicates we are delivering on our purpose and vision
- **Groups of activities:** the work we do
- **Uncertainty:** the major areas of risk (i.e the effect of uncertainty on our objectives) that we need to understand and manage effectively to be successful. Note, these areas of uncertainty may present both upside opportunity or downside risk, depending on how effectively this is anticipated and managed




HBRC: Enterprise Dashboard – perspective of the ELT

For the period ending: December 2024

Our purpose and vision <i>What matters the most to us as Hawkes Bay Regional Council</i>		A healthy environment and a resilient and prosperous community <i>Trust, confidence and continuing social license to operate... ...from our community, mana whenua, partners and stakeholders... ...as a result of our work to protect and manage the region's precious taonga of rivers, lakes, soils, air, coast and biodiversity for health, wellbeing and connectivity</i>				
Success <i>What we need to achieve in order to delivery on our purpose and vision (our strategic priorities)</i>	A. We keep our communities safe The extent to which enhance the wellbeing of the community we serve and prevent harm through the work we do V Shane Briggs / TBC	B. We understand the expectations of the community we serve and our actions meet community needs The extent to which we appropriately identify what is expected of us, and we align our actions to balance competing expectations in line with our role and resources available V Iain Maxwell / Mike Johansson	C. We deliver on the commitments we make The extent to which we do what we promise to do, to an acceptable standard and timeframe V Susie Young / Desiree Cull	D. We demonstrate our values in the work we do The extent to which our values are understood by our staff, sets expectations on how we behave and are lived/exhibited in the work we do H Te Wairama Munro / Karina Campbell	E. We uphold the principles of Te Tiriti o Waitangi The extent to which we deliver on our purpose and bring to life meaningful and trusted relationships through embedding the principles of Te Tiriti in our work V Te Wairama Munro / Jack Smith-Ballingall	
Groups of activities <i>What we do and need to deliver</i>	1. Effectiveness of governance and partnerships The extent to which community and partner representation effectively support robust and transparent decision-making relating to regional development and sustainability V Te Wairama Munro / Leanne Hooper	2. Effectiveness of policy and regulation The extent to which we develop, implement, monitor and enforce policy and regulation in our role as a Regional Council H Katrina Brunton / Louise McPhail	3. Effectiveness of integrated catchment management The extent to which we monitor the region's natural resources, use evidence, data and insight to inform our decision making and actions and implement at place coordination and delivery V Richard Wakeline/ Kelly Burkett	4. Effectiveness of infrastructure asset management The extent to which assets are planned for, acquired, operated, maintained and decommissioned in an effective manner V Chris Dolley / James Feary	5. Effectiveness of emergency management The extent to which HBRC effectively supports CDEM to enables the reduction, readiness, response and recovery to regional emergencies, as per the our legislative responsibilities and LTP commitments V Shane Briggs / Olivia Giraud-Burrell	6. Effectiveness of transport management The extent to which we effectively plan for and provide safe and equitable transport across modes for the region V Katrina Brunton / Russell Turnbull
Uncertainty <i>What we need to understand and manage effectively to successfully delivery on our vision and strategic priorities</i> <i>By 'uncertainty' we mean major areas that present upside opportunity or downside threat (i.e risk)</i>	7. Culture, capability, capacity of people The extent to which we are able to secure and retain the skills and knowledge required within our workforce needed to deliver on our commitments, and that our staff consistently act in an appropriate and ethical manner H Susie Young / Victoria Beale	8. Capability and capacity of service providers and partners The extent to which we access the right external skills and services at the right time to enable use to deliver on our purpose and commitments H Susie Young / Lyn Fppard	9. Effectiveness of technology The extent to which technology is fit for purpose to effectively enable the work we do and our role in the community we serve H Susie Young / Pip O'Connor	10. Health, safety, resilience and wellbeing of people The extent to which our people are kept healthy, safe and well while at work V Chris Dolley / Nancy Barlow	11. Effectiveness of funding and financial management The extent to which financial resources are optimized, efficiently allocated, used and controlled appropriately to achieve our goals, while maintaining compliance with regulations and ethical standards V Susie Young / Chris Comber	
	12. Effectiveness of programme and project delivery The extent to which we effectively implement changes to our business and ways of working through programme/project delivery H Chris Dolley / Desiree Cull	13. Coordination and connectedness of activity and decision making across HBRC The extent to which we operate in a whole-of-HBRC and non siloed manner H Richard Wakelin/ Desiree Cull	14. Legislative and regulatory compliance by HBRC The extent to which we meet our legal obligations on an ongoing basis V Susie Young / Matt McGrath	15. External change and reform The extent to which we anticipate, understand, and effectively manage the potential impact of external events (eg changes in the authorizing environment economic conditions, societal change, sector reform and similar) on our operations and in our work V Katrina Brunton / Nichola Nicolson	16. Effectiveness of external partner and stakeholder relationships The extent to which key partners/stakeholders and their needs have been identified, and the effectiveness of relationship management approaches adopted. M TBC/ Richard Wakelin	
	17. Resilience from disruption to service The extent to which we understand and effectively manage events or situations that might impact our ability to deliver our core services and asset performance to an acceptable level. V Shane Briggs / Stacey Rakiraki	18. Effectiveness of investment strategy The extent to which HBRC's investment strategy provides a cash return that materially offsets the rate burden, while protecting the capital base H Susie Young / Chris Comber	19. Effectiveness of communication and engagement The extent to which we interact effectively internally and externally. H Te Wairama Munro / Mike Johansson	20. Our impact on the environment The extent to which our operations and actions (or inaction) have an environmental impact. V Iain Maxwell / Stacey Rakiraki	21. Security, integrity and privacy of data and information The extent to which we manage data/information from collection, use, access, and disposal that ensured the confidentiality, integrity, availability and non-repudation of information. V Susie Young / Pip O'Connor	
	22. NIWE Resilience Programme The extent to which we deliver fit for purpose flood protection assets that improve the resilience of Hawke's Bay communities H Chris Dolley / Andrew Casley					

HBRC: Enterprise Dashboard – perspective of Councillors

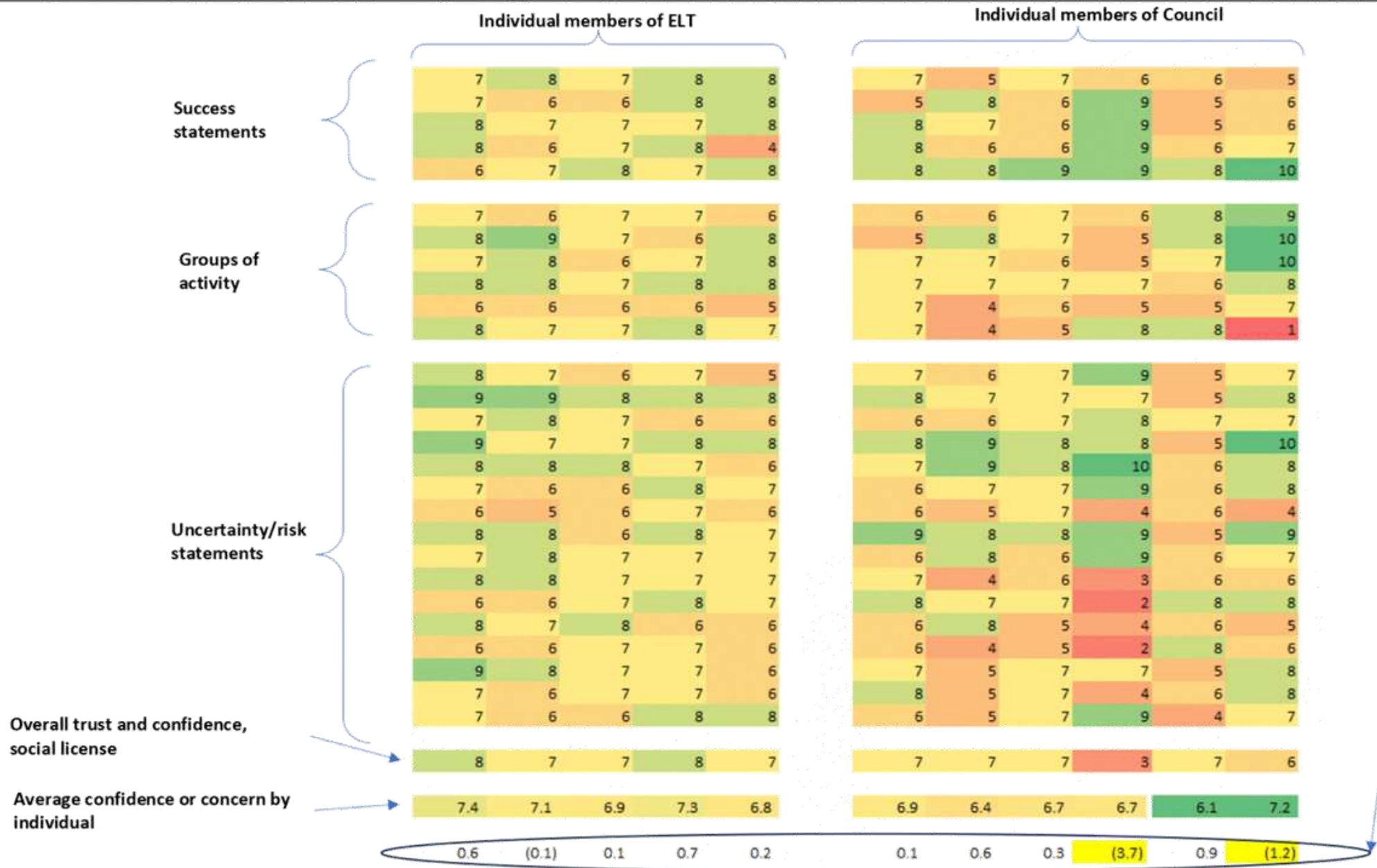
For the period ending: January 2025

Our purpose and vision <i>What matters the most to us as Hawkes Bay Regional Council</i>		A healthy environment and a resilient and prosperous community <i>Trust, confidence and continuing social license to operate... ...from our community, mana whenua, partners and stakeholders... ...as a result of our work to protect and manage the region's precious taonga of rivers, lakes, soils, air, coast and biodiversity for health, wellbeing and connectivity</i>				
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Difference in assessment across leadership

Area	ELT Owner	Business Lead	ELT Sentiment	Owner/Lead Sentiment	Councillor Sentiment	# causes (sub risks)	Red rated sub risks
A. We keep our community safe through the work we do	Ian McDonald	Shane Briggs	G	Y	A	5	No
B. We understand the expectations and needs of the community we serve and our plans meet community needs	Richard Wakelin	Mike Johnason	Y	A	Y	8	Yes
C. We deliver on the commitments we make	Susie Young	Desiree Cull	Y	Y	Y	8	No
D. We live our values of collaboration, accountability, transparency, integrity and excellence	Te Wairama Munro	Karina Campbell	Y	Y	Y	9	No
E. We uphold the principles of Te Tiriti o Waitangi in all that we do	Te Wairama Munro	Jack Smith-Ballingall	Y	A	G	7	No
1. Effectiveness of Governance and Partnerships	Te Wairama Munro	Leeanne Hooper	Y	Not yet rated	Y	9	tbd
2. Effectiveness of Policy and Regulation	Katrina Brunton	Louise McPhail	G	Y	Y	9	Yes
3. Effectiveness of integrated catchment management	Iain Maxwell	Kelly Burkett	Y	A	Y	9	No
4. Effectiveness of infrastructure asset management	Chris Dolley	Jon Kingford	G	Y	Y	9	No
5. Effectiveness of emergency management	Shane Briggs	Olivia Giraud-Burrell	A	A	A	9	Yes
6. Effectiveness of transport management	Katrina Brunton	Russell Turnbull	Y	A	A	9	Yes
7. Culture, capability and capacity of people	Susie Young	Victoria Beal	Y	A	Y	11	Yes
8. Capability and capacity of service providers and partners	Susie Young	Lyn Fippard	G	A	Y	9	No
9. Effectiveness of technology	Susie Young	Pip O'Connor	Y	Y	Y	9	Yes
10. Health, safety, resilience and wellbeing of people	Chris Dolley	Nancy Barlow	G	Y	G	5	No
11. Effectiveness of funding and financial management	Susie Young	Chris Comber	Y	A	G	10	No
12. Effectiveness of programme and project delivery	Chris Dolley	Desiree Cull	Y	Y	Y	9	No
13. Coordination and connectedness of activity and decision making across HBRC	Richard Wakelin	Desiree Cull	A	Y	A	10	No
14. Legislative and regulatory compliance by HBRC	Susie Young	Matt McGrath	Y	A	G	8	Yes
15. Impact of external change and reform	Katrina Brunton	Nichola Nicolson	Y	A	A	10	Yes**
16. Effectiveness of external partner and stakeholder relationships	Richard Wakelin	Richard Wakelin	Y	Y	Y	9	Yes
17. Resilience from disruption to operations	Shane Briggs	Stacey Rakiraki	Y	A	Y	9	Yes
18. Effectiveness of investment strategy	Susie Young	Chris Comber	Y	G	A	7	No
19. Effectiveness of communication, consultation and engagement	Te Wairama Munro	Mike Johansson	Y	A	A	9	Yes
20. Our impact on the environment	Richard Wakelin	Stacey Rakiraki	Y	Y	Y	9	Yes
21. Security, integrity and privacy of information	Chris Dolley	Pip O'Connor	Y	A	Y	10	Yes
22. Effectiveness of North Island Weather Event Programme	Chris Dolley	Andrew Casely	Y	Y	Y	15	No

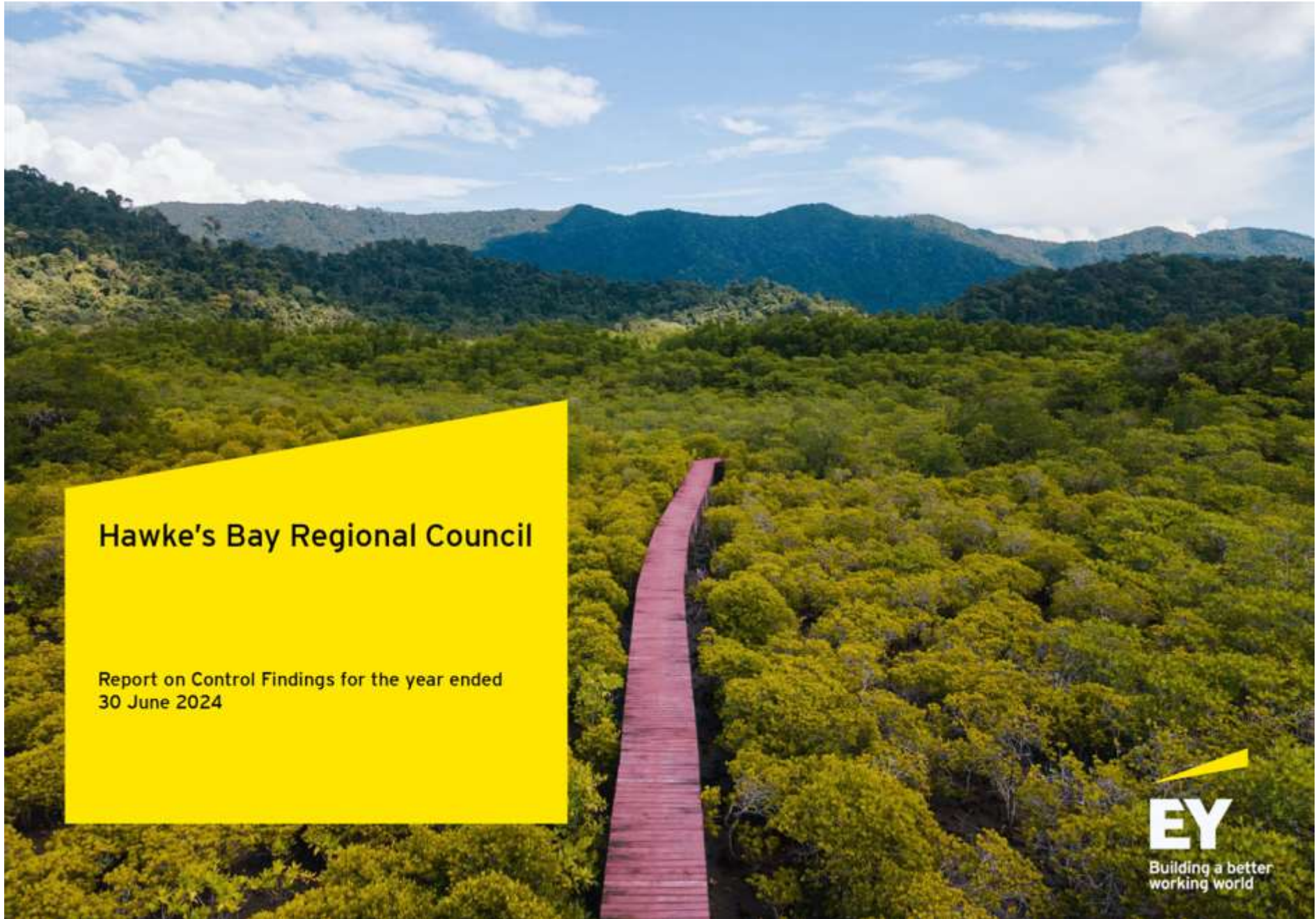
Spread of your views



Reflects relative consistency between average sentiment on individual statements and overall confidence in HBRC

Defining risk in terms of relative confidence or concern

Rating	What this means in terms of risk	...or in terms of uncertainty	... and in terms of opportunity	Risk appetite
Red	Extreme risk Very significant potential impact on HBRC's operations, people, rightsholders and wider stakeholder trust and confidence Current management practices (controls/mitigations) insufficient to reduce potential exposure to an acceptable level	Extreme volatility Very uncertain or changeable environment, that presents major downside (threats) or upside (opportunities) Insufficient or ineffective mechanisms to monitor or respond appropriately to the threats or opportunities that may present themselves	Extreme opportunity Very significant areas of opportunity or potential for positive change Current plans, initiative or projects do not fully capture these opportunities and significant gaps exist between what we want to achieve and what we are currently doing to achieve this	<i>Outside of 'risk appetite' so action required to manage this to a level that we are comfortable to live with</i>
	<i>Fundamental concerns, cannot live with this, intervention required as a matter of priority</i>			
Amber	High risk Relatively high level of exposure or impact to HBRC Some controls or mitigations in place however these may not be sufficient to reduce exposure to an acceptable level	High volatility Quite a changeable environment with respect to areas of major priority or commitment to your organisation A lower level of ability to respond quickly than is desirable	High opportunity A relatively high level of opportunity or potential to do things differently Some initiatives in place but may not be sufficient to deliver on our commitments or achieve our strategic priorities	<i>Significant concerns, uncomfortable to live with this and we need to do something different</i>
	<i>Significant concerns, uncomfortable to live with this and we need to do something different</i>			
Yellow	Moderate risk A reasonable level of risk faced by HBRC but with a level that you are able to respond to Some controls in place, but could do more or uncertain as to the effectiveness of these controls in practice May cause some pain or disruption, potentially could mitigate further, but broadly in line with risk appetite	Moderate volatility Some level of uncertainty or variability faced Reasonable mechanisms to identify and respond to threats or opportunities, should they present themselves	Moderate opportunity A reasonable level of opportunity to do things better, more consistently and effectively Some controls in place, but scope to strengthen, enhance and improve these Reasonable opportunity to increase the level of assurance that what we expect to occur is in place and working effectively	<i>Within our 'risk appetite', i.e we think we are doing enough at this stage and can live with any residual uncertainty (risk)</i>
	<i>Some concerns, can live with this currently but would like to do more</i>			
Green	Low risk Relatively low level of exposure, but not necessarily no risk Confidence that effective management practices and controls in place	Low volatility Highly stable or predictable, little impact on your mandate, commitments or priorities Effective mechanisms identify and respond to change	Low opportunity Major areas of opportunity have been captured Little areas of major improvement or potential for positive change Effective initiatives in place to deliver on commitments	<i>Reasonably well placed, comfortable to live with this</i>
	<i>Reasonably well placed, comfortable to live with this</i>			



WELCOME

Dear Management Team

We have completed our audit of the financial statements and performance information of Hawke's Bay Regional Council ("Council" or "HBRC") for the year ended 30 June 2024.

This Report on Control Findings includes all control matters and issues arising from our audit findings that we consider appropriate for review by management.

In accordance with Auditor-General's Auditing Standards we have gained an understanding of internal controls, as relevant to the audit, in order to assist in the design of our audit procedures. Our audit does not address all internal control and accounting procedures and is based on selective tests of accounting records and supporting data and is not designed to make detailed recommendations. As a result our procedures would not necessarily disclose all weaknesses in the Council's internal control environment, and you should not assume that there are no additional matters that you should be aware of in meeting your responsibilities. We have provided our comments along with individual risk ratings as assessed by us. We have not considered the impact of risks ratings being combined with either other findings we have raised or other risks identified internally by HBRC.

We wish to express our appreciation for the courtesies and co-operation extended to our team during the course of their work. If you have any questions or comments, please do not hesitate to call me on 021 923 431.

Yours faithfully



David Borrie
Partner

CONTENTS

02	Executive Summary	
03	Medium Risk Observation	
	Reconciliation of community loans	03
04 - 09	Low Risks Observation	
	Performance measures should be reported against annually	04
	Certain performance measures can be enhanced to focus on outputs and outcomes rather than processes or legislative compliance requirements	05
	Review of earnings multiples used for capitalisation of HBRIC management and governance costs	06
04 - 9	Low Risks Observation (cont'd)	
	Appropriate one up approval of sensitive expenditure	07
	Alignment of sensitive expenditure with HBRC's Policy	08
	Inaccurate class of infrastructure asset and WIP balance	09



EXECUTIVE SUMMARY

Hawke's Bay Regional Council

For the year ended 30 June 2024

The following table provides an overview of the number of observations and our assessment of the associated risk.

	H	M	L	
Open	-	1	7	8
New	-	-	3	3
Closed		-	(4)	(4)
Total Open Observations at 30 June 2024	-	1	6	7

Overview of Risk Rankings

To ensure that you can prioritise the rectification of the control insights, we have categorised the rankings as follows. Though we have rated each insight individually on a stand-alone basis, you should also assess the collective impact of these matters, together with other findings from within your organisation:

H Need substantial improvement
Immediate corrective action is recommended

M Need significant improvement
Corrective action is recommended, generally within 6 months.



L Need some improvement
Corrective action is recommended generally within 6 to 12 months.

Disclaimer: Issues identified are those found within the course of the 30 June 2024 year-end audit. Recommendations are intended solely for the use of Council's management. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Council for any purpose other than that for which it was prepared.



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

Medium Risk Observations

 Risk Rating	 Area	 Observations	 Risk	 EY Recommendation	 Management's Response
<p>M Reconciliation of community loans</p>	<p>Hawke's Bay Regional Council has a book of community loans. These loans are primarily granted to rate payers so they can transition to energy efficient homes. The loans are normally repayable via a targeted rate over a 10 year period.</p> <p>The Council utilise the following three systems to manage and maintain the community loans.</p> <ul style="list-style-type: none"> ▶ Shimes database records the original loan balance, underlying loan documentation, interest rate, and details of services and supplier records such as quotes and payments made to suppliers on behalf of rate payers. ▶ MagIQ rates system records repayments collected through rates, but not the loan balance at the end of each period. ▶ TechOne general ledger records the loan balance at the end of each period but in aggregate and not on a loan by loan basis. <p>Each system reflects different components of the relevant information and loan balances are not periodically reconciled to the underlying data.</p> <p>As the data is extracted from various systems to determine the outstanding community loan balances, Council manually calculates the period end balances in an excel document. This process includes using some approximations such as interest rates, expected payment intervals, and at times the loan start and end dates to calculate the present values of loans at balance date. This method is inherently susceptible to human error. The reconciliation was not completed for FY24 until we requested the reconciliation as part of the financial statement audit process and the final reconciliation included an unexplained variance of \$33k between the calculation and the general ledger.</p>	<p>Without a reconciliation for community loans being prepared on a periodic basis there is a risk either financial reporting is incorrect or underlying loan records are incorrect and these inaccuracies aren't identified on a timely basis.</p>	<p>To mitigate the risk identified, management should:</p> <ul style="list-style-type: none"> ▶ Manually reconcile individual loan balances to the aggregate loan balance per the general ledger on a periodic basis ensuring all variances are resolved. Individual loan balances used in the reconciliation process should be able to be proved by rolling forward the balance based on the transactions in the period. ▶ Review options for how to better integrate the relevant systems to remove the need to complete the reconciliation work manually. 	<p>For each individual loan we are comfortable that our systems and records allow us to show a transaction history and calculate a loan balance at any point in time. This is used where ratepayers want to repay their loan or are selling their property.</p> <p>However, due to system limitations we are unable to generate a report of the collective total loan balance at a point in time to reconcile to the general ledger balance. Doing individual calculations for every loan on a regular basis would require a lot of resourcing.</p> <p>In the 2024-2027 3 year plan these community loans were discontinued. It will take up to 10 years for the loans to be fully settled. As there will no longer be additions to the list of loans we are investigating the ability to have a full list of all outstanding loans that can easily be updated to show payments and balances.</p> <p>Responsibility: Senior Group Accountant</p> <p>Timeline: Jun 2025</p>	



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







Low Risk Observations

					
Risk Rating	Area	Observations	Risk	EY Recommendation	Management's Response
<p>L</p>	<p>Performance measures should be reported against annually</p>	<p>The current performance framework was set during the last Long Term Plan ("LTP") process. Council has an opportunity to revise the performance framework as part of the planning process currently underway. There were several performance measures that were not reported against for the year ended 2024 either because the measures were reliant on externally sourced data that is not available annually or because Council did not plan to undertake the relevant studies for the 2024 year (i.e. stakeholders surveys). The effectiveness of measures is reduced if results cannot be reported annually at a minimum. Given the current pace of change a year is a long time between measurements plus it would take three years for enough data to be available for a reasonable trend analysis. We acknowledge Council has decided not to complete certain surveys due to the impact of Cyclone Gabrielle, but the surveys referred to above aren't not measured due to Cyclone disruptions.</p>	<ul style="list-style-type: none"> There is a risk that Council isn't meeting its obligations to report to the community on an annual basis. Measurement periods longer than a year make meaningful trend analysis on a timely basis difficult. 	<p>We recommend Council consider adopting measures where results are able to be measured annually.</p>	<p>Staff agree that internal surveys should and can be carried out and reported annually. However, there is an affordability issue to engage resident surveys more than two-yearly.</p> <p>In our current LTP, we do not have any measures based on two-yearly resident surveys and so this won't be an issue going forward.</p> <p>Responsibility: Team Leader Strategy and Performance</p> <p>Timeline: Completed</p>



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







Low Risk Observations

 Risk Rating	 Area	 Observations	 Risk	 EY Recommendation	 Management's Response
<p>L Certain performance measures can be enhanced to focus on outputs and outcomes rather than processes or legislative compliance requirements</p>		<p>A performance measure should relate to outputs or outcomes and be useful, meaningful, and reliable. The Auditor-General's Auditing Standard 4 <i>The Audit of Performance Reports</i> defines outcomes as changes in the state, condition, effects on, or consequences for the community, society, economy, or environment resulting from the existence and operations of the public entity.</p> <p>Some of the HBRC performance measures could be improved through focusing on outputs and outcomes rather than processes and legislative compliance requirements. This allows readers to assess how effectively the Council has delivered services over the course of the year and the impact of those services on the community. For example, the measure "Following a flood event, affected areas are surveyed and repairs are programmed" could be enhanced by focusing on the timeliness or quality of the fix rather than the process. Another example is measures that relate to business as usual activities such as compliance with legislation or conducting meetings in accordance with guidelines.</p>	<p>There is a risk the chosen measures are not comprehensive enough to provide a system wide performance assessment.</p>	<p>We encourage the Council to review performance measures as part of the current planning process and make changes to improve the performance framework.</p>	<p>HBRC has a mix of process, output and outcome measures. While we agree that output and outcomes measures are preferable, given the nature of some services we provide as a regional council we rely on process measures to cover the full range of our services and provide us with a broad platform to tell the story for the relevant year and explain the outcomes for the community.</p> <p>We always look to improve the commentary with specificity where required. In response to EY's observation in last year's audit, many of our measures are now measurable e.g. '% of the work programme completed' rather than 'achieved/not achieved'.</p> <p>Responsibility: Team Leader Strategy and Performance</p> <p>Timeline: No further work required.</p>








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

Low Risk Observations

					
Risk Rating	Area	Observations	Risk	EY Recommendation	Management's Response
L	Review of earnings multiples used for capitalisation of HBRIC management and governance costs	<p>The valuation of HBRIC Limited was based on the value of its shareholding in NPHL, net assets of FoodEast, value of managed funds and loans, less the value of debt and future management costs.</p> <p>The earnings multiplier used for management costs was based on a CCO valuation completed by a third party in 2019. Costs were capitalised using an earnings multiplier of six.</p>	There is a risk that the multiplier used no longer reflects the best estimate based on current conditions at the valuation date.	<p>We recommend that management continues to assess whether the earnings multiplier used for capitalisation of management and governance costs remains appropriate for each year.</p> <p>Consideration should be given to obtaining an updated third party valuation of the HBRIC group given the time that's passed since the last valuation.</p>	<p>Management will continue to assess whether the earnings multiplier used for capitalisation of management and governance costs remains appropriate for each year.</p> <p>Consideration will be given each year as to whether a third party valuation of the HBRIC group will add benefit over cost to the ratepayer.</p> <p>Responsibility: Senior Group Accountant</p> <p>Timeline: Annually</p>









Low Risk Observations

 Risk Rating	 Area	 Observations	 Risk	 EY Recommendation	 Management's Response
<p>L Appropriate one up approval of sensitive expenditure</p>		<p>In our testing of sensitive expenditure, we observed two instances where the approver was not senior to the person to whom the expenditure related. The OAG defines sensitive expenditure as any spending by an organisation that could be seen as providing private benefit to a staff member, their family, or friends.</p> <p>According to the HBRC sensitive expenditure policy and the guidance provided by the OAG regarding expense claim approvals, an expense claim should be:</p> <ul style="list-style-type: none"> ▶ Made only when budgetary provisions and delegated authority exist. ▶ Approved by a person senior to the individual who will benefit or might be perceived to benefit from the sensitive expenditure (the "one-up" principle). This principle means that sensitive expenditure incurred by the ELT should be approved by the CE. Sensitive expenditure incurred by the Chief Executive should be approved by a Councillor. A suitable arrangement should be put in place for the Chair's expenditure (i.e. could be approved by the Chair of the Risk and Audit Committee). 	<p>There is a risk that either HBRC funds are spent inappropriately or that there is a perception HBRC controls relating to spend where there is the potential for personal benefit are not rigorous enough.</p>	<p>We recommend that expenses incurred are approved in line with the Council's policies as follows:</p> <ul style="list-style-type: none"> ▶ Sensitive expenditure incurred by SLT is approved by the CE. ▶ Sensitive expenditure incurred by the CE is approved by a Councillor (potentially a specific Councillor if agreed, ie Chair or RAC Chair). ▶ Sensitive expenditure incurred by the Chair is approved by a Councillor where there is a non-reciprocal approval process in place. Consideration should also be given to Council or Committee monitoring of this expenditure. 	<p>The instances highlighted had approval from the EA on behalf of the correct "one-up" approver. We agree that EAs approving on behalf of the GM/CE does not prove the GM/CE have sighted the expenditure.</p> <p>In response to this, the Sensitive Expenditure Policy and finance system will be updated in the 2024-25 year to remove the ability for EAs to approve on behalf of their managers. This requirement has also been reemphasised with ELT.</p> <p>Responsibility: Finance Manager</p> <p>Timeline: January 2025</p>

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







Low Risk Observations

 Risk Rating	 Area	 Observations	 Risk	 EY Recommendation	 Management's Response
<p>L Alignment of sensitive expenditure with HBRC's Policy</p>		<p>In our testing of sensitive expenditure, we observed two instances where expenditure was reimbursed without appropriate receipts which was not in line with section 28 of HBRC's Controlling Sensitive Expenditure Policy.</p> <p>In addition, we noted one instance where pre-approval for mileage was not sought per section 9 of the Controlling Sensitive Expenditure Policy before reimbursement</p> <p>Lastly, we noted two instances where expenditure occurred outside of the Sensitive Expenditure Policy and was subsequently reimbursed by staff.</p>	<p>There is a risk that either HBRC funds are spent inappropriately or that there is a perception HBRC controls relating to spend where there is the potential for personal benefit are not rigorous enough.</p>	<p>We recommend that expense claims should only be approved if they comply with the Council's policies, particularly the Controlling Sensitive Expenditure Policy</p>	<p>The lack of receipts on some expenses has been raised directly with those involved and they have been reminded of the Council's policies. Once the Sensitive Expenditure Policy is updated, it will be shared with all HBRC staff to ensure all are knowledgeable as to what is required for expenses.</p> <p>For mileage claims, pre-approval must now be obtained before the trip is made and that approval will be added to the expense claim.</p> <p>We do note that all instances identified in the observations did have a clear business purpose.</p> <p>Responsibility: Finance Manager</p> <p>Timeline: March 2025</p>



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

Low Risk Observations

 Risk Rating	 Area	 Observations	 Risk	 EY Recommendation	 Management's Response
<p>L Inaccurate class of infrastructure asset and aged WIP balance</p>		<p>In our procedures performed in relation to Infrastructure Assets, we identified that the valuation performed at 30 June 2024 does not include Tutira Reserve. However, Tutira & Other Reserve are disclosed in the infrastructure asset note in the financial statements. According to PBE IPSAS 17 Property, Plant and Equipment, if an item of infrastructure asset is revalued, the entire class to which that asset belongs shall be revalued.</p> <p>As discussed with management, we note that there is lack of available information to confirm whether the identification of Tutira Reserve as an infrastructure asset is appropriate.</p> <p>In addition, as part of our procedures performed over Work In Progress, we identified aged WIP balances relating to FY23 and earlier.</p> <p>As discussed with management, we note that there is lack of information for these projects in order to identify whether they remain in progress or should be released from WIP.</p>	<p>There is a risk that the infrastructure assets have not been revalued in full in accordance with PBE IPSAS 17.</p> <p>There is a risk of overstatement of the WIP balance in relation to aging WIP that is no longer in progress.</p>	<p>We recommend that management consider the grouping of assets by asset class and consider whether the grouping remains appropriate. If so, Tutira Reserve should be revalued consistently with the remaining infrastructure assets.</p> <p>In addition, we recommend that management monitor projects that relate to aged WIP and consider whether the project is still appropriate to hold in WIP.</p>	<p>The inclusion of Tutira and other reserves in the infrastructure class of assets is a historical one. We will work to resolve this by next annual report.</p> <p>We have the information required on the projects still held in Work in progress and these will be capitalised in the FY25 year.</p> <p>Responsibility: Senior Group Accountant</p> <p>Timeline: June 2025</p>



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