



Hastings District Council

*Civic Administration Building
Lyndon Road East, Hastings 4156*

Phone: (06) 871 5000

Fax: (06) 871 5100

www.hastingsdc.govt.nz

OPEN MINUTES

AUDIT AND RISK SUBCOMMITTEE

Meeting Date: **Monday, 20 February 2017**

**Minutes of a Meeting of the Audit and Risk Subcommittee held on
20 February 2017 at 10.00am**

Table of Contents

<u>Item</u>	<u>Page No.</u>
1. Apologies	1
2. Conflicts of Interest	1
3. Confirmation of Minutes	1
4. Health and Safety Risk Report	2
5. Treasury Activity and Funding	3
6. General Update Report and Status of Actions	4
7. Strategic Risk Management Update	5
8. Additional Business Items	6
9. Extraordinary Business Items	6
10. Recommendation to Exclude the Public from Item 11	6

HASTINGS DISTRICT COUNCIL

MINUTES OF A MEETING OF THE AUDIT AND RISK SUBCOMMITTEE HELD IN THE LANDMARKS, GROUND FLOOR, CIVIC ADMINISTRATION BUILDING, LYNDON ROAD EAST, HASTINGS ON MONDAY, 20 FEBRUARY 2017 AT 10.00AM

- PRESENT:** Mr J Nichols (Chair)
Mayor Yule
Councillors Hazlehurst, Kerr and Travers
- IN ATTENDANCE:** Chief Executive: (Mr R McLeod)
Chief Financial Officer (Mr B Allan)
Group Manager: Human Resources (Mrs B Bayliss)
Group Manager: Economic Growth & Organisation
Improvement (Mr C Cameron)
Manager, Strategic Finance (Mr B Chamberlain)
Quality Assurance and Business Services Manager (Mr R
Smith)
Accountant/Internal Auditor (Mr A Wilson)
Health & Safety Advisor (Ms J Kuzman)
Executive Advisor/Manager: Office of the Chief Executive
(Mr M Maguire)
Committee Secretary (Mrs C Hunt)
- AS REQUIRED:** Mr Dan Davis, H&S Specialist, Impac Consulting
Mr John Dixon (Partner) and Ms Sophie Hay (Manager),
PricewaterhouseCoopers

1. APOLOGIES

There were no apologies to receive.

2. CONFLICTS OF INTEREST

There were no declarations of conflicts of interest.

3. CONFIRMATION OF MINUTES

Councillor Kerr/Councillor Hazlehurst

**That the minutes of the Audit and Risk Subcommittee Meeting held
Wednesday 7 December 2016 be confirmed as a true and correct record and
be adopted.**

CARRIED

4. HEALTH AND SAFETY RISK REPORT

(Document 16/1349)

The Group Manager: Human Resources, Mrs Bayliss updated the Subcommittee regarding the management of health and safety risks within Council. Mrs Bayliss confirmed that at the Council meeting held 30 June 2016 the Audit and Risk Subcommittee recommendations in regard to:

- Monthly reporting in the form of a 'high level dashboard report' to Council;
- Quarterly reporting at a more detailed level to Council; and
- Quarterly reporting on health and safety risk management to the Audit and Risk Subcommittee, had been adopted.

Mr Dan Davis a Health and Safety Specialist from IMPAC Services undertook a strategic review of Council's health and safety management and performance.

Mr Davis spoke to the meeting and advised that Council was taking a leadership approach to health and safety.

Officers and Mr Davis responded to questions with the main points highlighted being:

- Mr Davis facilitated a series of workshops with Council staff in regard to managing critical risks. This has been undertaken using the "Bow Tie" methodology which is a risk evaluation method using a diagram to effectively communicate how critical risks should be managed.
- "Bow Tie" was a risk evaluation method using a diagram to effectively communicate how critical risks should be managed and provided examples how risks could be prevented.
- Due to the water crisis in Havelock North the initial report received in July was not reported on until November 2016.
- Good level of training in organisation of key staff in health and safety processes.
- Officers have worked with all five councils and are implementing a standard prequalifying process for contractors (SiteWise). Prequalification provided contractors with one process and consistency with all councils. Centralised information will enable evaluation feedback on contractors.
- Staff reporting of near miss incidents had increased due to increased health and safety awareness.
- Officers to email Councillor Kerr on the legal responsibility of Rural Community Board members in regard to health and safety.
- Mr Davis commented there would always be risk and uncertainty - the Act sought to setup a framework to create an appropriate balance and introduced the concept of undertaking what was reasonably practical to mitigate risk.
- Mr Davis is comfortable that good practises are in place at Council and are working.
- Any significant issues reported would be included in the monthly summary.

Mayor Yule withdrew from the meeting at 10.40am.

ACTION POINTS

- Quarterly reports to Council to include information regarding health and safety risk, after it has been discussed at Audit & Risk.
- Work through Action Plan for the Impac Health and Safety Review.

- Reference the IMPAC Health and Safety Review in the next monthly report to Council, and provide full document and action plan to elected members via the Hub.

Mayor Yule rejoined the meeting at 10.45am

Councillor Hazlehurst/Councillor Kerr

- A) That the report of the Health and Safety Advisor titled “Health and Safety Risk Report” dated 20/02/2017 be received.**
- B) That the IMPAC Services Health and Safety review report (HR-03-01-17-191) and the Action Plan (HR-03-01-17-193) be included in the Council quarterly report.**

CARRIED

5. TREASURY ACTIVITY AND FUNDING

(Document 17/61)

The Chief Financial Officer, Mr Allan, spoke to the agenda report and responded to questions from the Subcommittee.

The main points that were highlighted in the report or addressed, in response to questions, included:

- Officers were currently working on an Interest Rate Strategy with PWC, taking into account the over hedged position.
- Regional Sports Park and landuse were not included.
- The Omaha Road development would incur land purchases over the corridor.
- Irongate – net position of debt and development contributions for growth related project.
- Para 3.10 indicated where debt was expected to go over the next few years with \$75m by June 2017 increasing to \$100m with the opera house.
- New Zealand economy was showing signs of recovery and the OCR would stay where it was.
- Historically if the OCR did not rise the longer term interest rates would begin to rise.
- A fixed interest rate strategy to manage when longer interest rates increased needed to be undertaken.
- Current annual plan based on 6% with the current LTP factored at 6.5% for the first three years of the Plan and 7% thereafter.
- Debt forecast was in line with LTP.

ACTION POINTS

- Review of Treasury Policy and report back to Subcommittee.

Councillor Travers/Councillor Hazlehurst

- A) That the report of the Manager Strategic Finance titled Treasury Activity and Funding dated 20/02/2017 be received.**

B) That the Treasury Policy be reviewed to align the policy with the projected Long Term Plan.

CARRIED

6. GENERAL UPDATE REPORT AND STATUS OF ACTIONS

(Document 17/62)

The Chief Financial Officer, Mr B Allan, spoke to the agenda report and responded to questions from the Subcommittee. Circulated at the meeting was a draft financial report template (CG-14-6-00013) utilising dashboards and key performance indicators.

The main points that were highlighted or addressed, included:

- The proposed financial reporting template for Council was an attempt to make the financials in Council reports easier to read and understand.
- High level treasury information would be included around policy parameters.
- Recommend that within the Council report a sentence is to be included that advised a copy of the old version of the financial information (80pages) was available on request.
- Key variances - dollar variance had a direct impact on rating and was preferred.
- A commentary report would be included.
- Forecast column to be added to the template.
- External credit rating was looked at in February 2016 and would be reviewed at a time when enough debt would come on stream.
- It cost \$50,000 to have an annual review and would need \$50m new debt to offset cost.
- Debt forecast for 12-18 months would provide better understanding.

ACTION POINTS

- Review timing of External Credit Rating application and report back in May.

Councillor Travers/Councillor Kerr

A) That the report of the Manager Strategic Finance titled “General Update Report and Status of Actions” dated 20/02/2017 be received.

B) That the Audit and Risk Subcommittee endorse the approach to move to quarterly dashboard reporting (CG-14-6-00013).

CARRIED

7. STRATEGIC RISK MANAGEMENT UPDATE

(Document 17/99)

The Quality and Assurance Business Services Manager, Mr Smith, spoke to the agenda report and responded to questions from the Subcommittee. The main points that were raised/addressed included:

- The report provided a view of current strategic risks and the mitigation in place.
- The strategic risk register was reviewed and updated during a workshop with the, Audit & Risk Chairman, Chief Executive and Leadership Management Team in January.
- Greater focus on protection of personal safety in the policy was identified as important.
- Discussion on the risk classifications and risk matrix included;
 - Rename Health and Safety column to “Human Safety” – keeping people safe rather than H & S and include as the first consequence column.
 - Aligning Environmental impact with coastal erosion work,
 - Changing the likelihood terminology to use more natural language,
 - Confirmation that the financial impact scale was relatively low based on experience applying this within Council business units.
- A workshop with Council should be held to review the Risk Management Policy and Framework, and get feedback on the top 18 strategic risks.
- Reinforce risk tolerance for outcomes Council views as particularly important to avoid, such as harm to people.
- Align operational practise with framework important.
- Officers investigating the use of Health and Safety software currently being implemented for corporate risk management purposes.
- The best way to provide confidence that all risks are mitigated as stated in the risk register was discussed to build confidence identify what are top 10 risks and plan to build confidence and define levels of risk and mitigated risk.
- Detailed mitigation on agreed three most important risks that impact human safety and focus on plan to build confidence regarding the actual levels of risk and effectiveness of mitigation.
- Biggest consequential risks – Civil Defence, infrastructure and environment

ACTION POINTS

- Council Workshop, including Jon Nichols to be held to discuss Risk Management Policy and Framework, and Strategic Risks.
- Include focus on personal safety in policy.
- Classifying Likelihood– consider change wording i.e. possible and probable. Mr Nichols to provide suggested wording.
- Classifying Consequence – Move “Health and Safety” to first column of table (page 68) of the agenda report.
- Include risk matrix tables as an appendix to the Framework.
- Plan to show explanation of mitigations.

Councillor Hazlehurst/Mayor Yule

- A) That the report of the Business Services Manager titled “Strategic Risk Management Update” dated 20/02/2017 be received.**

- B) That the Audit and Risk Subcommittee endorse the draft Risk Management Policy and Framework to be go forward to a Council workshop and that the draft Risk Management Policy and Framework be used as a working document.**
- C) That the Audit and Risk Subcommittee confirm the strategic risk register as a fair representation of strategic risks Officers need to manage, and that the register be submitted to Council with the updated Risk Management Policy and Framework.**

With the reasons for this decision being that the objective of the decision will contribute to meeting the current and future needs of communities for good quality local infrastructure and local public services in a way that is most cost-effective for households and business by:

- i) Ensuring strategic risks are effectively managed, and**
- ii) Assisting Council to successfully achieve its goals through proactive management of risk.**

CARRIED

8. ADDITIONAL BUSINESS ITEMS

There were no additional business items.

9. EXTRAORDINARY BUSINESS ITEMS

There were no extraordinary business items.

10. RECOMMENDATION TO EXCLUDE THE PUBLIC FROM ITEM 11

SECTION 48, LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT 1987

Mr Nichols/Councillor Kerr

THAT the public now be excluded from the following parts of the meeting, namely;

11. Cash Handling Internal Audit

The general subject of the matter to be considered while the public is excluded, the reason for passing this Resolution in relation to the matter and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this Resolution is as follows:

<i>GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED</i>	<i>REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER, AND PARTICULAR INTERESTS PROTECTED</i>	<i>GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF EACH RESOLUTION</i>

11. Cash Handling Internal Audit**Section 7 (2) (h)**

The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.

The Internal Audit includes the review of commercial arrangements as part of the audit process.

Section 48(1)(a)(i)

Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act.

And that Mr John Dixon (Partner) and Ms Sophie Hay (Manager), Pricewaterhouse Coopers be permitted to remain in the meeting after the public have been excluded, because their knowledge of the matter under consideration is essential to assisting the Audit and Risk Subcommittee by providing an opportunity for questions of clarification.

CARRIED

The meeting closed at 12.10pm

Confirmed:

Chairman:

Date: