



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

RISK AND AUDIT SUBCOMMITTEE

Meeting Date: **Monday, 4 September 2017**

**Minutes of a Meeting of the Risk and Audit Subcommittee held on
Monday, 4 September 2017 at 2.30pm**

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HASTINGS DISTRICT COUNCIL

MINUTES OF A MEETING OF THE RISK AND AUDIT SUBCOMMITTEE HELD IN THE LANDMARKS ROOM, GROUND FLOOR, CIVIC ADMINISTRATION BUILDING, LYNDON ROAD EAST, HASTINGS ON MONDAY, 4 SEPTEMBER 2017 AT 2.30PM

PRESENT: Mr J Nichols (Chair)
Acting Mayor Hazlehurst
Acting Deputy Mayor Nixon
Councillors Kerr and Travers

IN ATTENDANCE: Chief Executive: (Mr R McLeod)
Executive Advisor/Manager: Office of the Chief Executive
(Mr M Maguire)
Chief Financial Officer (Mr B Allan)
Group Manager: Human Resources (Mrs B Bayliss)
Health and Safety Advisor (Ms J Kuzman)
Group Manager: Economic Growth and Organisation
Improvement (Mr C Cameron)
Manager, Strategic Finance (Mr B Chamberlain)
Financial Controller (Mr A Wilson)
Committee Secretary (Mrs C Hilton)

ALSO PRESENT: Audit Director, Audit New Zealand (Mr Stephen Lucy) –
(Item 5)
Associate Principal – Audit & Assurance, Crowe Horwath
(Mr Martyn Solomon) – (Item 6)
Senior Manager – Audit & Assurance, Crowe Horwath (Ms
Jessica Cranswick) – (Item 6)

1. APOLOGIES

There were no apologies.

2. CONFLICTS OF INTEREST

There were no declarations of conflicts of interest.

3. CONFIRMATION OF MINUTES

Councillor Kerr/Acting Mayor Hazlehurst

**That the minutes of the Risk and Audit Subcommittee Meeting held Monday
19 June 2017 be confirmed as a true and correct record and be adopted.**

CARRIED

4. GENERAL UPDATE REPORT AND STATUS OF ACTIONS

(Document 17/813)

Officers and Mr S Lucy, Audit New Zealand, spoke to the agenda report and the Audit NZ Briefing Paper (Attachment 2), and responded to questions from the Subcommittee. The main points that were highlighted or addressed, included:

Statutory Liability Insurance:

- Officers had “pushed back” against the stance taken by Council’s Statutory Liability insurers, regarding the exclusion provided for RMA breaches.
- The insurers would only review their stance if evidence suggested the approach towards prosecutions under the RMA had improved.

2018-28 Long Term Plan:

- The Audit New Zealand Briefing Paper (Attachment 2) was discussed.
- Ensuring the consulting document was focussed enough.
- No change in the legislation in regard to Long Term Plans (LTP’s) so there was the opportunity to consolidate.
- Two important documents – the Financial Strategy and Infrastructure Strategy. The latter had been a new requirement at the time of the 2015-25 LTP,
- The two key items in the 2015-25 LTP were – 1) Opera House & 2) Change in NZTA’s funding approach.
- Need to ensure the Council has engaged with the community.
- The future renewals programme – is this in place?
- Does the depreciation stream align with the capital spend and how to fund this – via rating or debt?
- The top 10 or 20 risks – a useful lens to look through in the LTP.

ACTION POINTS:

- Look at the financial strategy and link it into the infrastructure strategy.

Councillor Kerr/Councillor Travers

That the report of the Manager Strategic Finance titled “General Update Report and Status of Actions” dated 4/09/2017 be received.

CARRIED

5. 2016/17 ANNUAL REPORT UPDATE

(Document 17/818)

Officers spoke to the agenda report and responded to questions from the Subcommittee. The main points that were highlighted or addressed, included:

Revaluation of Transportation and Parks and Reserves Assets:

- Revaluation was an important issue. A rolling revaluation is undertaken.

Reporting Timeframes:

- The audit has now commenced, on 4 September.

Landfill Forestry Harvest:

- This was a live asset and Council had not dealt with this type of asset appropriately in the past.

Financial Result:

- At the Finance and Monitoring Committee meeting on 12 September 2017,

Council will determine how the rating surplus will be allocated.

- The continuance of the decline in the average cost of Council debt.

Building Control Liability:

- This situation will continue unresolved for some time yet.
- Officers highlighted the last sentence under Paragraph 3.18 – “...*there was insufficient information on potential liability and claim quantum...*”

Draft Financial Statements:

- Nothing had changed in Audit New Zealand’s view since the signed audit letter had been issued.

ACTION POINTS:

- Officers to continue to monitor the matter of Building Control Liability.
- The Subcommittee Chair and the Chief Financial Officer will be in regular contact to discuss issues that arise and will advise the members if necessary.

Councillor Travers/Acting Mayor Hazlehurst

That the report of the Chief Financial Officer titled “2016/17 Annual Report Update” dated 4/09/2017 be received.

CARRIED

6. INTERNAL AUDIT UPDATE

(Document 17/760)

Officers and Mr Solomon, Crowe Horwath, spoke to the agenda report and the Proposed Internal Audit Plan 2017/18 and responded to questions from the Subcommittee. The main points that were highlighted or addressed, included:

- Crowe Horwath was the internal audit provider for the five HB Councils.
- Mr Solomon outlined the proposed approach in the Audit Plan including the ratings beside each activity; the agreed timeframes; and the planned hours set against each entry. There was flexibility in the approach proposed.
- The Subcommittee supported the approach set out in the Audit Plan and had asked for a one page summary of issues for easy reference.
- The Chief Financial Officer and Mr Solomon had discussed the issues set out in the Plan for Year 1.
- The timeframes for any upcoming reviews of particular areas of Council were noted.

ACTION POINTS:

- Officers would report back to the Subcommittee at its 14 November meeting.
- The Subcommittee Chair and the Chief Financial Officer will be in regular contact to discuss issues that arise and will advise the members if necessary.

Councillor Kerr/Acting Mayor Hazlehurst

That the report of the Chief Financial Officer titled “Internal Audit Update” dated 4/09/2017 be received.

CARRIED

7. TREASURY ACTIVITY AND FUNDING

(Document 17/814)

Officers spoke to the agenda report, highlighting the main points within the report and responding to questions from the Subcommittee. The main points that were highlighted or addressed, included:

- Council was operating within the Treasury Policy.
- Council had given approval for Officers to commence the process to obtain an external credit rating. The aim was to have this credit rating in place by March 2018 in order to support the LTP process.
- No new swaps had been put in place since the last Subcommittee meeting. PwC had recommended taking a “watching brief” in this area. The Subcommittee supported Officers taking a cautious approach.
- The OCR rate was holding at the same level and interest rates were expected to stay steady until 2019.

ACTION POINTS:

- Officers to commence the process to obtain an external credit rating for Council.
- Officers to take a “watching brief” in regard to swaps and an overall cautious approach.

Councillor Nixon/Councillor Travers

That the report of the Manager Strategic Finance titled Treasury Activity and Funding dated 4/09/2017 be received.

CARRIED

8. HEALTH AND SAFETY RISK MANAGEMENT REPORT

(Document 17/409)

Officers spoke to the agenda report and responded to questions from the Subcommittee. The main points that were highlighted or addressed, included:

- The report had been split into three sections.
- Section 1 addressed the legislative changes that have occurred. Paragraphs 3.4 and 3.5 – a large number of updated codes of practice had been released by WorkSafe over the past 12 months which had significant implications for the Council. Officers explained how they kept up to date with these updates.
- Section 2 of the report addressed how the Council had been tracking in regard to the Health and Safety Strategic Plan.
- Good progress was being made in regard to the 22 action items required to achieve the target conditions set out in the Strategic Plan.
- Section 3 of the report addressed the 12 critical Health and Safety risks that had been identified and had been evaluated using “Bow Tie” risk methodology and documented the profile of incidents relating to those Critical Risks. The next steps will be to present the Bow Tie overviews to the Subcommittee.
- Officers were seeking to obtain information to allow benchmarking, although not much LG data is as yet available.

ACTION POINTS:

- Officers were progressing the 22 action items and the remaining items were expected to be completed within the next 6 months.

- Officers to continue to monitor and manage the 12 critical Health and Safety risks and further implement necessary mitigation measures, following the “Bow Tie” risk evaluations.
- Officers to work through the process needed to comply with the WorkSafe updated codes of practice which had significant implications for Council.
- Officers to continue to undertake trend analyses in relation to the critical risks.

Councillor Kerr/Councillor Travers

That the report of the Health and Safety Advisor titled “Health and Safety Risk Management Report” dated 4/09/2017 be received.

CARRIED

9. RISK MANAGEMENT UPDATE ON STRATEGIC RISK ANALYSIS

(Document 17/845)

Officers backgrounded and spoke to the agenda report and responded to questions from the Subcommittee. The main points that were highlighted or addressed, included:

- Council had adopted the Strategic Risk Register on 13 July 2017, which included the key strategic risk areas to be managed and evaluated over time.
- Officers wanted to make this work a core aspect of the Council’s approach to risk management so that it became everyone’s responsibility.
- Officers explained how the Bow Tie analysis approach was being applied.
- Officers addressed the Civil Defence Emergency risks area of Council’s operations in some detail.
- Officers would take a well-managed, methodical 360 degree circle approach to risk management to enable management to focus on the relevant aspects, rather than the detailed work.
- The Subcommittee supported the approach that Officers were proposing in regard to risk management issues.
- A sequential plan would be presented to each Subcommittee meeting.
- Quarterly reports would be presented to the Subcommittee.

ACTION POINTS:

- Officers to continue to evaluate the key strategic risk areas.
- Officers to work through the issues relating to Civil Defence Emergency risks.
- A sequential plan would be presented to each Subcommittee meeting.
- Quarterly reports would be presented to the Subcommittee.

Acting Mayor Hazlehurst/Councillor Travers

A) That the report of the Quality Assurance and Business Services Manager titled “Risk Management Update on Strategic Risk Analysis” dated 4/09/2017 be received.

B) That further analysis of critical controls for Civil Defence Emergency and Health & Safety Event risks be completed.

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 to the Council are effectively managed.

CARRIED

10. WATER SERVICES

(Document 17/832)

Apologies had been received from Mr Garth Cowie, the Independent Chair of the Water Services Change Management Team (CMT) and from Mr Craig Thew, Croup Manager: Asset Management.

The Chief Executive provided an update on the work of the Change Management Team and responded to questions from the Risk and Audit Subcommittee.

Acting Mayor Hazlehurst/Councillor Kerr

That the report of the Chief Executive titled “Water Services” dated 4/09/2017 be received.

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 in a way that is most cost-effective for households and business by:

i) Providing for effective Governance oversight of the water services change programme.

CARRIED

11. ADDITIONAL BUSINESS ITEMS

There were no additional business items.

12. EXTRAORDINARY BUSINESS ITEMS

There were no extraordinary business items.

The meeting closed at 4.34pm

Confirmed:

Chairman:

Date: