
Finance, Audit & Risk Subcommittee

OPEN MINUTES

Minutes of a meeting of the Finance, Audit & Risk Subcommittee held in the Council Chambers, Horowhenua District Council, Levin on Wednesday 9 August 2017 at 4.00 pm.

PRESENT

Chairperson	Mr P Jones
Deputy Chairperson	Cr B F Judd
Members	Cr W E R Bishop
	Cr R J Brannigan
	Cr R H Campbell
	Mayor M Feyen
	Cr N G Gimblett
	Cr V M Kaye-Simmons
	Cr J F G Mason
	Cr C B Mitchell
	Cr B P Wanden

IN ATTENDANCE

Reporting Officer	Mr D Law	(Chief Financial Officer)
	Mr D M Clapperton	(Chief Executive)
	Mr G Saily	(Group Manager – Infrastructure Services)
	Mr M Lester	(Acting Group Manager – Corporate Services)
	Mr J Paulin	(Finance Manager)
	Mr D McCorkindale	(Senior Manager – Strategic Planning)
	Mr S Wood	(Legal Counsel)
	Mrs N Brady	(Group Manager – Business Services)
	Mr G O’Neill	(Projects Manager)
	Mr L Wilson	(Communications Lead)
	Mrs K J Corkill	(Meeting Secretary)

MEDIA IN ATTENDANCE

Mr M Cropp	(Radio New Zealand)
Mr A Robertson	(NZME)
Ms M Schroeter	(“Manawatu Standard”)
Mr W Smith	(“Manawatu Standard”)

PUBLIC IN ATTENDANCE

There were 27 members of the public in attendance at the commencement of the meeting.

On opening the meeting, Chair, Mr Philip Jones, gave an explanation of his role as this had been queried by members of the public and the media. He noted that there were two parts to what he did: Whilst he chaired the meeting, he also provided an independent view on finance, risk and audit – this was independent of both management and elected members. It was important to note that he had no delegation other than what Council specifically gave to him and he could not undertake actions that were outside that delegation. Part of his role was to ensure that correct processes were in place and that these were being followed.

1 Apologies

An apology was recorded for Cr Tukapua.

MOVED by Deputy Mayor Bishop, seconded Mayor Feyen:

THAT the apology from Cr Tukapua be accepted.

CARRIED

2 Public Participation

7.1 Financial Report

Christina Paton
Olaf Eady
Dave Thomson

7.6 Risk Management Update

Terry Hemmingsen, President Greypower

7.7 Strategic Risk Report

Christina Paton

The following had requested to speak to Item 8. As this was a procedural motion, to which speaking rights were disallowed under Standing Orders (14.1), their names were noted:

8 Procedural motion to exclude the public

Anne Hunt
Philip Taueki
Bryan Ten Have
Vivienne Taueki
Peter Heremaia
Judith Holloway
Terry Hemmingsen, President Greypower
Dave Thomson
Michael Kay.

3 Late Items

There were no late items.

4 Declaration of Interest

There were no declarations of interest.

5 Confirmation of Minutes – 28 June 2017

MOVED by Cr Kaye-Simmons, seconded Cr Judd:

THAT the minutes of the meeting of the Finance, Audit & Risk Subcommittee held on Wednesday, 28 June 2017, be confirmed as a true and correct record.

CARRIED

6 Announcements

Mayor Feyen addressed the meeting saying that he had advised the Chair of the scope of the comments he intended to make. Firstly he formally introduced and welcomed Mr Jones on board as independent Chair, which had not occurred at the last meeting.

Mayor Feyen then explained why he personally did not like the process that had occurred to date in relation to the In Committee portion of the meeting around the release of the KPMG Peer Review and why the public were being excluded. He said one of the reasons for his stance was that the internal auditor's draft report had been hidden from him for three months and he was concerned that Councillors had also not read that report. There was also the issue of emails being intercepted, a practice in which the previous Mayor had been involved. He was concerned about reputational harm, with the Ombudsman and Privacy Commissioner now involved. Mayor Feyen said he looked forward to the presentation from KPMG and would be putting forward a resolution for the public not to be excluded from the In Committee portion of the meeting.

7 Reports

7.1 Financial Report for the twelve months to 30 June 2017

Purpose

To present to the Finance, Audit & Risk Subcommittee the financial report for the twelve months to 30 June 2017.

Prior to hearing from the members of the public who wished to speak to this item, Mr Law gave a PowerPoint presentation to assist with understanding the information contained in the report.

Public Participation

Commenting on the concern expressed by the CFO with regard to insufficient time to implement a thorough quality assurance check and suggesting this meeting should be postponed to allow sufficient time for corrections to be made, Mrs Paton raised instances where the 'k' had been omitted to express the correct value. She further queried if there was a record of expenditure for the Foxton Wastewater upgrade; which process had been underway for several months and was still proceeding through the Environment Court.

Mr Olaf Eady said he agreed with Mrs Paton's comments about the meeting being premature in terms of providing correct information. He then put forward a query about unbudgeted income (page 10). Were the amounts gross or was it profit? He further queried:

- the figure provided for development contributions from the Forbes Road subdivision as he understood that development contributions had been cancelled
- some other transactions with regard to the Foxton Beach Freeholding Fund and the amount that had accrued to Council which he felt was too high;
- the debt write offs/provision under "Other expenses": on page 11;
- the Statement of Sundry Debtors (page 21) and the 90+ days amount outstanding, which he said was appalling.

With the two previous speakers having covered some of what he wished to say, Mr Dave Thomson voiced his concern at the mistakes in the report. He also commented on the Rates Debtors (page 20) expressing his concern at the amount of people who were finding it difficult to pay their rates, particularly when money had been spent on an internal audit review and pursuing a Code of Conduct complaint..

Responding to the speakers, Mr Law advised that there was only one figure missing from the Report and that was the revaluation of Land and Buildings and it had no impact on the operational surplus or deficit. He said he did feel comfortable bringing the Report to Council in its current state and he had also sent it off to Audit NZ who would be commencing its audit of Council's books next week.

With regard Mr Eady's Development Contributions query, Mr Law explained that the figure of \$488,000 was for two years and DCs were still being collected on the Forbes Road section sales because the development occurred prior to July 2015 when the change in the DC Policy occurred.

Mr Jones noted that Council was only received the report; there were no recommendations and there would be a further report prior to receipt of the Audit Opinion.

Mr Law further noted that the audit would take two weeks and the Audit Opinion would be brought to the September FARS meeting and the recommendation to adopt the Report would be an item for the October Council Agenda. He then responded to various questions from Elected Members.

MOVED by Cr Kaye-Simmons, seconded Cr Brannigan:

THAT Report 17/379 on Financial Report for the twelve months to 30 June 2017 be received.

THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

CARRIED

Mayor Feyen ABSTAINED from voting.

7.2 Treasury Report

Purpose

To present to the Finance, Audit & Risk Subcommittee the Bancorp Treasury Report for the June 2017 quarter.

Mr Law spoke to this report explaining the rationale behind suggested recommendation 2.3 "THAT Council borrow and extra \$5m for a term of not less than 3 years and invest this in short-term investments with interest rates that will at least cover the cost of borrowing" which was proposed to mitigate a perceived liquidity risk identified by Standard and Poors.

MOVED by Cr Judd, seconded Mayor Feyen:

THAT Report 17/389 Treasury Report be received.

THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

CARRIED

After discussion on proposed recommendation 2.3, it was:

MOVED by Cr Judd, seconded Mayor Feyen:

THAT the Chief Financial Officer be requested to research information in relation to perceived liquidity risk identified by Standard and Poors and do a risk analysis to be brought back to the September 2017 Finance, Audit & Risk Subcommittee meeting.

CARRIED

7.3 Infrastructure Projects Update

Purpose

To provide the Finance, Audit & Risk Subcommittee with an update on projects being undertaken by the Projects Team.

Following up on a request at the last FARS meeting, Mr O'Neill gave a PowerPoint presentation on the RMA process.

Responding to a query from Mayor Feyen about consultation and process on the NE Levin Stormwater Upgrade project and whether things were being done in the correct order, Mr O'Neill explained it was about risk management. There were two parts to the project: construction and attenuation of stormwater downstream. There were flooding issues for people when it rained, so in order to shorten the time frame Council did the constructions it was allowed to do and sought a consent at the same time to get a speedier resolution.

MOVED by Deputy Mayor Bishop, seconded Cr Campbell:

THAT Report 17/364 Infrastructure Projects Update be received.

THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

CARRIED

7.4 Projects Update - Non-Capital Projects

Purpose

To provide a status update, identify key risks and milestones for key non-capital projects or programmes of work that are being undertaken by officers.

Requesting the report be taken as read, Mr McCorkindale said this been requested at the last FARS meeting to provide an update on key non-capital projects. Key risks had been identified and Officers had endeavoured to provide some assurance that projects were in hand and on track.

Responding to queries, Mr McCorkindale advised that discussion on Development Contributions would come under the tranche headed Development. There would be a series of briefings coming up setting the scene with regard to the various tranches of projects in the LTP programme.

An update was also requested with regard to community projects such as Te Awahou Nieuwe Stroom.

MOVED by Cr Brannigan, seconded Cr Mason:

THAT Report 17/376 Projects Update - Non-Capital Projects be received.

THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

CARRIED

7.5 Overview of TOU Energy Reports

Purpose

To provide the Finance, Audit and Risk Subcommittee with a view of the internal time of use (TOU) electricity reporting developed.

Following Mrs Brady giving an overview of the report, Mr Jones noted that this gave the Committee assurance that there were internal controls working within the organisation, which was part of the Subcommittee's role.

MOVED by Cr Campbell, seconded Cr Mitchell:

THAT Report 17/382 Overview of TOU Energy Reports be received.

THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

CARRIED

7.6 Risk Management Update

Purpose

To provide an update on progress of the Risk Management Policy and Framework review.

On behalf of Horowhenua GreyPower, Mr Hemmingsen spoke to the Risk Management Policy, also referencing items in the Strategic Risk Report. He commented on what he said was a real or perceived disengagement between Council and the community with a number of issues coming to the fore over the last few weeks based on media reports. He posed some questions in relation to the In Committee Internal Audit Report item, to which Deputy Mayor Bishop expressed concern that Mr Hemmingsen's comments had shifted from stakeholder engagement to the In Committee item.

Mr Jones noted that Council would be discussing the questions raised by Mr Hemmingsen in the public excluded section of the meeting and it was not possible to respond to them now.

It was noted that this matter would be the subject of Elected Member briefings in September.

MOVED by Cr Campbell, seconded Mayor Feyen:

THAT Report 17/384 Risk Management Update be received.

THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

THAT the Finance, Audit and Risk Subcommittee endorses inclusion of the risk analysis, evaluation and treatment criteria into the Risk Framework.

CARRIED

7.7 Strategic Risk Report

Purpose

To provide a report on the top 5 strategic risks and treatments applied to reduce each risk, so that the FAR Subcommittee can endorse/or not endorse that the risks are managed to an acceptable level.

Responding to a query from Mrs Paton with regard to the Council Action noted in 1. (a) with regard to reducing liquidity risk Mr Law advised that it had been covered in the Treasury Report.

Speaking to this report, Mrs Brady noted that this report had been requested at the last FARS meeting, also noting that this report was not static and there would be continual changes and ongoing monitoring of what was happening.

Raising a concern at what he saw as a huge discrepancy between the NZIER statistics and those from Statistics NZ, Cr Campbell queried if Council would be following the data provided by NZIER or if there would be a middle ground.

Mr Clapperton responded that an updated population forecast would be presented to the next Strategy Committee meeting, including updated figures from NZIER and Infometrics.

Mr Law responded to queries with regard to the underspend on Council's capital programme and the funding of depreciation.

Mayor Feyen suggested replacing "Maori" on page 183 with "Tangata whenua".

MOVED by Mayor Feyen, seconded Cr Mitchell:

THAT Report 17/387 Strategic Risk Report be received.

THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

THAT the FAR Subcommittee endorses that the risk treatment has managed the risk to an acceptable level.

CARRIED

7.8 Monitoring Report to 9 August 2017

Purpose

To present to the Finance, Audit & Risk Subcommittee Monitoring Reports covering requested actions from previous meetings of the Subcommittee.

MOVED by Cr Brannigan, seconded Cr Kaye-Simmons:

THAT Report 17/381 on Monitoring Report to 9 August 2017 be received.

THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

CARRIED

Page 186 17/292 – Financial Report for the twelve months to 31 May 2017
Cash flow statement to be included each meeting
Annual Report and key monthly reports to be in the same format
These were being developed and would commence for the 17/18 financial year.

Whilst saying that after having a very good discussion with the Chair about what would occur during the In Committee portion of the meeting he was feeling more comfortable about the process, because of the significant public interest and in the interests of

transparency Mayor Feyen proposed a resolution to allow the public to remain for the balance of the meeting.

MOVED by Mayor Feyen, seconded Cr Campbell:

THAT the public not be excluded from the In Committee portion of the meeting.

Expressing his disappointment that the item did need to stay In Committee, Mr Jones said there was very good reason for this and he spoke against the motion. He said that unfortunately some of the comments made in the media were not the facts as he saw them. Also there were issues of privacy that had to be respected.

A division on the motion was called for, voting on which was as follows:

For:

Mayor: Michael Feyen
Councillor: Ross Campbell

Against:

Chair: Philip Jones
Deputy Mayor: Wayne Bishop
Councillors: Ross Brannigan
Neville Gimblett
Barry Judd
Victoria Kaye-Simmons
Joanna Mason
Christine Mitchell
Bernard Wanden

The division was declared LOST by 2 votes to 9.

Procedural motion to exclude the public

MOVED by Cr Brannigan, seconded Cr Judd:

THAT the public be excluded from the following part(s) of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each 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 follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Confirmation of In Committee Minutes – 28 June 2017

C1 Internal Audit Peer Review

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. s7(2)(f)(ii) - The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees and persons from improper pressure or harassment.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

The text of these resolutions is made available to the public who are present at the meeting and form part of the minutes of the meeting.

CARRIED

5.50 pm The public were excluded.

Resolutions in relation to the confidential items are recorded in the confidential section of these minutes and are not public available.

8.35 pm

There being no further business, the Chairperson declared the meeting closed.

CONFIRMED AS A TRUE AND CORRECT RECORD
AT A MEETING OF THE FINANCE, AUDIT & RISK
SUBCOMMITTEE HELD ON

DATE:.....

CHAIRPERSON:.....