
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 28 June 2017 at 4.00 pm.

PRESENT

Chairperson	Mr P Jones	
Deputy Chairperson	Cr B F Judd	
Members	Cr W E R Bishop	
	Cr R H Campbell	(until 4.10 pm)
	Cr N G Gimblett	
	Cr V M Kaye-Simmons	
	Cr J F G Mason	
	Cr P Tukapua	
	Cr B P Wanden	

IN ATTENDANCE

Mr D Law	(Chief Financial Officer)
Mr D M Clapperton	(Chief Executive)
Mrs N Brady	(Group Manager – Business Services)
Mr M Lester	(Project Coordination Manager)
Mr D McCorkindale	(Senior Manager – Strategic Planning)
Mr J Paulin	(Finance Manager)
Mrs D Weir	(People & Capability Manager)
Mr G O'Neill	(Projects Manager)
Mrs K J Corkill	(Meeting Secretary)

PUBLIC IN ATTENDANCE

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

1 Apologies

Apologies were recorded for Mayor Feyen and Councillors Brannigan and Mitchell.

MOVED by Cr Judd, seconded Cr Tukapua:

That the apologies from Mayor Feyen and Councillors Brannigan and Mitchell be accepted

CARRIED

2 Public Participation

No requests to speak had been received.

3 Late Items

There were no late items.

4 Declarations of Interest

None declared.

5 Confirmation of Minutes – 5 April 2017

MOVED by Cr Judd, seconded Deputy Mayor Bishop:

THAT the minutes of the meeting of the Finance, Audit & Risk Subcommittee held on Wednesday, 5 April 2017, be confirmed as a true and correct record.

CARRIED

6 Announcements

Standing on behalf of Mayor Feyen who was not at the meeting due to ill-health, Cr Campbell said Mayor Feyen had given him a statement to be read out in the public part of the meeting on the Peer Review of the Internal Auditor's Review of Sensitive Expenditure.

As Cr Campbell commenced reading the statement, Cr Judd raised a point of order as the report being referred to in the Mayor's statement was an operational report which had not yet been brought to the table and it was not appropriate for it to be aired.

The Chair upheld the point of order as the matter was covered in a report in the Public Excluded portion of the meeting and any announcement should be delivered then.

Commenting that the Mayor had also asked him to pass the statement on to the press as it was in the public's interest to know about the matter, Cr Campbell gave his apologies and withdrew from the meeting citing ill-health (4.10 pm).

New independent Chair, Philip Jones, introduced himself and gave an explanation of how he proposed FARS meetings would be conducted going forward to ensure that everyone was involved.

7 Reports

7.1 Financial Report for the eleven months to 31 May 2017

Purpose

To present to the Finance, Audit & Risk Subcommittee the financial report for the eleven months to 31 May 2017.

Mr Law spoke to the financial report noting that the main focus was the lower than predicted surplus which was due to a delay in receiving capital grants for the Te Awahou Nieuwe Stroom building project. It was a timing issue.

Responding to a query with regard to the number of resource consents created and where they were actually at in the process, Mr Law advised that these were at the s223 stage (when lines were drawn on the map) where a resource consent had been received to subdivide. Lots could not be sold until they passed the s224 stage and

titles were issued. He had been advised it was a manual process but Mr Law said he would report to Councillors by email on the split.

It was suggested that the wording in the report “have been created” could be causing confusion and that should be looked at.

Mr Clapperton responded to a query with regard to the financial performance of the TANS project advising that committed funding to date was a little over \$3m and Council was getting close to the target it had set itself for third party funding. Significant funding from Culture and Heritage was still awaited and that should be announced shortly. Grant funding would be received in the 17/18 rather than the current financial year.

Mr Law also gave further information on queries with regard to finalising the values for infrastructure assets, the lower maintenance recorded primarily in six areas, and water-by-meter income.

MOVED by Cr Kaye-Simmons, seconded Cr Mason:

THAT Report 17/292 on Financial Report for the eleven months to 31 May 2017 be received.

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

CARRIED

Mr Jones queried what other information elected members might like to see. He personally would like to see a regular cash flow statement as it would enhance the report to talk about cash compared with budget and balance sheet compared with budget. Whilst not requiring a resolution, Mr Jones requested through the CE that that become part of regular reporting.

Mr Clapperton responded that information was normally brought through on a quarterly basis but he was happy for it to be brought through on a six weekly basis.

Mr Jones also requested that the Annual Report and key monthly reports were in the same format so when it came to adopting the Annual Report people were used to seeing the information and could understand it.

7.2 Audit Engagement and Arrangement letters

Purpose

To deliver to the FAR Subcommittee the three letters regarding the Audit New Zealand audit assignment for the next 3 financial years 2016/17, 2017/18, 2018/19, but with particular emphasis on the audit for the 2016/17 financial year.

Mr Law commented on the Audit and Engagement letters with there being normally only one; however this year there were three – the Audit Proposal Letter, Audit Engagement Letter and Audit Arrangements Letter. Ms Perera would also usually address the meeting but had been unavailable. She had, however, met earlier in the day with the Chair and staff.

MOVED by Cr Tukapua, seconded Cr Judd:

THAT Report 17/297 Audit Engagement and Arrangement letters 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 & Risk Subcommittee recommends to Council that the letters from Audit New Zealand be co-signed by the Mayor and the Chairperson of the Finance, Audit & Risk Subcommittee on behalf of the Horowhenua District Council.

THAT the ordinary Finance Audit and Risk Subcommittee meeting scheduled for 20 September 2016 considers the draft Annual Report and recommends its adoption to Council.

CARRIED

Given that Council consistently had unqualified/unmodified audit opinions, Deputy Mayor Bishop expressed his disappointment about the general response from the community being that Council received that because it was paying the bill and that the process was not robust. Whilst it appeared expensive, it did represent almost 1,000 hours of time with people who were engaged in all things to do with Council's operation. It did give him huge confidence in the process and the opinion received.

Mr Jones directed members' attention to page 51 of the Agenda which set out the hours involved. He also noted that the auditor was not appointed by Council but by the Auditor General who had to comply with audit standards. Non-compliance with audit standards could lead to disciplinary action.

With regard to the Annual Report, Mr Law advised that it was proposed to bring the first draft to the 9 August FARS meeting which would give Councillors the opportunity to have input into what would be audited. The audit would commence on 14 August 2017.

7.3 Horowhenua District Council's risk of future involvement in the LAPP fund insurance facility

Purpose

Horowhenua District Council is a member of the Local Authority Protection Programme (LAPP) Fund to protect underground 3 waters assets from disasters like the Christchurch and Kaikoura earthquakes. It is set up as a charitable trust whereby members contribute to a fund that, along with reinsurance cover, will pay for the re-establishment of assets following a major event. The issue has been, since the Christchurch event, that the fund has faced financial pressure and competition from the private insurance market. Members have been leaving to the point that it is timely to review Council's continued involvement with LAPP.

Mr Law gave a background to the Local Authority Protection Programme Fund and Council's involvement.

Responding to a query about what status updates would be brought back to the Subcommittee, Mr Law said there would be an update from LAPP in the new financial year about which Councils had left the fund and when that information was to hand it would be brought back to the Subcommittee.

MOVED by Mr Jones, seconded Cr Wanden:

THAT Report 17/299 on Horowhenua District Council's risk of future involvement in the LAPP fund insurance facility be received.

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

THAT the Subcommittee continue to review the risks associated with continued LAPP membership and review its membership before April 2018 in time for a possible withdrawal from LAPP.

THAT the Subcommittee be informed of the number of participating Councils as soon as practicable after that information is available.

CARRIED

7.4 Health and Safety Quarterly Report to 31 May 2017

Purpose

To provide an update to Elected Members on health and safety matters at Horowhenua District Council for the previous three months.

Requesting that the report be taken as read, Mrs Weir covered the highlights in her report.

MOVED by Cr Kaye-Simmons, seconded Cr Judd:

THAT Report 17/286 on Health and Safety Quarterly Report to 31 May 2017 be received.

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

CARRIED

Commenting that Health and Safety was a journey and not a destination, Mr Jones said it was important that Council understood its role in Health and Safety; however the Subcommittee's role was not to do Health and Safety but to gain assurance that Health and Safety was alive and well and was minimising risk to the organisation to the best of its ability. He requested that the next report to the Subcommittee include some key statistics to provide a trend analysis over a period of time of near misses and reportable instances – what the top 5-10 risks were, what needed to be done to reduce those risks and a timetable to achieve that. Hopefully those risks would change going through the journey.

7.5 Treasury Report

Purpose

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

Mr Law spoke to the report saying he was happy where Council was at present.

Responding to a query as to whether Council was over-weighted in short term borrowings, Mr Law said that would be covered in the next Treasury Report.

MOVED by Cr Gimblett, seconded Deputy Mayor Bishop:

THAT Report 17/290 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

Mr Jones queried how long Mr Law thought the average-weighted cost of 4.25% would hold and what was the locked in period.

Mr Law said Council had a number of loans locked in for a long period time at 4% and under. It would depend on how quickly low interest rates rose. Council always looked for the lowest rate it could. Joining the LGFA and getting a credit rating had made a big impact on Council's interest rate.

7.6 Standard and Poors Credit Rating

Purpose

To present to the Finance, Audit and Risk committee the Standard and Poors' report on the review of Council's credit rating.

Reiterating that Standard and Poors had reconfirmed Council's A+ Credit Rating, Mr Law also noted the three risk areas identified in the report that could lead to a review downwards of that rating.

Mr Jones requested that an options paper be brought to the Subcommittee for reducing Council's liquidity risk and queried what would be an acceptable timeline.

Mr Law said he was confident he could bring something to the 9 August 2017 Subcommittee meeting.

It was also requested that the options paper include long term and short term borrowing from a layperson's point of view and what were the risks of money tightening up or interest rates rising.

MOVED by Cr Gimblett, seconded Cr Judd:

THAT Report 17/293 Standard and Poors Credit Rating 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 & Risk Subcommittee requests the Chief Financial Officer submit a report to the 9 August 2017 Subcommittee meeting exploring options for addressing the liquidity risk identified in the Standard and Poors Credit Rating report.

CARRIED

Mr Jones identified two other risks noted by Standard and Poors being the political situation and major changes to Council's capital expenditure. If capital expenditure was increased, that increased debt and if rate income did not increase to pay for it then there was the possibility of a downgrade. It was something Councillors needed to be aware of as part of LTP decision making.

7.7 Projects Update June 2017

Purpose

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

Council's Projects Manager, Mr O'Neill gave a PowerPoint presentation updating the Subcommittee on North East Levin and the Levin Water Treatment Plant Upgrade.

Responding to a query about how much stormwater capacity there was for future growth and climate change, Mr O'Neill said that had been factored into calculations. There was an issue that future growth figures had not yet come through but an initial assessment had been done and growth projections would be updated.

Mr Clapperton added that the key point was that Council was being very very careful, whether it was for renewals or growth related, to take into account growth forecasts for stormwater, wastewater or water.

The views of stakeholders in the projects reported on was raised and discussed, with consultation still to be undertaken in some instances.

The status of the consenting process with HRC was also commented on with Mr Clapperton suggesting, to give comfort to the Subcommittee and to Council, that a report on the RMA process that was being undertaken would be helpful.

Following the PowerPoint presentation and queries that had arisen, Mr O'Neill requested that the report be taken as read. He also sought any suggestions from the Subcommittee in terms of improving reporting.

Mr Jones said what concerned him was other than engineering projects that were not included in the reporting. It would be helpful, at a high level, to consider other projects in terms of the LTP. Whilst this was not an LTP committee, it would assist to know what the risks were if a project was not completed on time to the required standard, and monitoring in terms of financial cost.

Noting that non-capital projects would be reported back to the Subcommittee, Mr Clapperton commented that the value of having an independent chair was that it challenged Council to keep up to speed, with Mr Jones having identified other areas (Policy Development; the s17A Review; an holistic update on overall growth response; and the LTP development process) that should be brought back to the Subcommittee by way of updates.

MOVED by Cr Kaye-Simmons, seconded Cr Judd:

THAT Report 17/258 on Projects Update 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

7.8 Statutory Rates Write Off

Purpose

To approve the write off of rates and penalties that are no longer collectable under the Local Government (Rating) Act 2002.

MOVED by Cr Kaye-Simmons, seconded Cr Gimblett:

THAT Report 17/295 Statutory Rates Write Off be received.

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

THAT the Horowhenua District Council approves the write off of rates and penalties that are no longer collectable under the Local Government (Rating) Act 2002 totalling \$106,654.30.

CARRIED

Mr Law confirmed that doubtful debts were provided for, which included this statutory rates write-off.

7.9 Risk Management Update

Purpose

The purpose of this report is to provide the Finance, Audit and Risk Subcommittee (FAR) with an update regarding Risk Management at HDC and encourage discussion regarding the committee expectations going forward.

Requesting the report be taken as read, Mrs Brady gave a background to the Risk Management Framework which was now up for review. Direction was sought as to how elected members wished to proceed. When this had initially been introduced there had been briefings and workshops and that could again occur.

MOVED by Cr Tukapua, seconded Cr Mason:

THAT Report 17/307 on 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.

CARRIED

Mr Jones stressed that the Subcommittee needed to understand what it wanted in terms of reporting. Hopefully members did not want to see every risk reported on every six weeks. It was important to identify the key risks and how they would be monitored.

Responding to Mrs Brady's queries as to what the Subcommittee might like to see by way of reporting, Mr Clapperton suggested, as this matter was still in its embryonic stage of understanding how the framework might work, that Officers circulate to the Subcommittee by mid-July for input by members, what were perceived as the top five risks, including those identified in the Standard and Poors Report. Based on that feedback a report would then be brought to the 9 August 2017 FARS meeting.

7.10 Monitoring Report - Issues Identified during the 30 June 2015 Audit

Purpose

To present to the Finance, Audit & Risk Subcommittee the Monitoring Report covering issues identified during the 30 June 2015 Audit.

Mrs Brady advised that this did relate to 2015. It had come to the Subcommittee two meetings ago and there was commentary in the Report on which an update was requested.

The Audit Monitoring Report would now be updated based on the 2016 Audit Report.

MOVED by Cr Kaye-Simmons, seconded Cr Judd:

THAT Report 17/306 Monitoring Report - Issues Identified during the 30 June 2015 Audit be received.

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

CARRIED

8 Procedural motion to exclude the public

MOVED by Cr Wanden, seconded Deputy Mayor Bishop:

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:

C1 Peer Review of the Internal Auditor's Review of Sensitive Expenditure

<i>Reason for passing this resolution in relation to each matter</i>	<i>Particular interest(s) protected (where applicable)</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
<i>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.</i>	<i>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.</i>	<i>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.</i>

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

5.37pm 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.

6.10 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:.....