



Rangitikei District Council

Audit/Risk Committee Meeting

Minutes – Monday 7 December 2015 – 2:00 p.m.

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Present: Mr Craig O'Connell (Chair)
His Worship the Mayor, Andy Watson
Cr Nigel Belsham
Cr Dean McManaway
Cr Lynne Sheridan

In attendance: Mr Ross McNeil, Chief Executive
Mr Michael Hodder, Community & Regulatory Services Group Manager
Mr George McIrvine, Finance & Business Support Group Manager
Mr Hamish Waugh, General Manager Infrastructure
Mr Tony Stanley, Internal Auditor
Ms Debbie Perera, Associate Director, Audit New Zealand
Ms Laura Richards, Governance Administrator

Tabled documents: Item 9 Final management audit report for 2014/15

1 Council Prayer

His Worship the Mayor read the Council prayer.

2 Welcome

Mr O'Connell welcomed the Committee members and Council staff.

3 Apologies/Leave of Absence

There were no apologies.

4 Confirmation of order of business

The Committee concurred with the Chair's suggestion to have Mr Stanley give his presentation (Item 10) before the rest of the meeting ensued.

10 Internal Audit

During the past two years, the Council has shared in an internal audit resource established through MW LASS. Horizons, Horowhenua District and Manawatu District were also participating in this initiative. Mr Stanley explained how the internal audit role had changed from policing to partnering. This meant an opportunity to suggest improvements. The focus for internal audit remained on organisational culture, systems and processes. The benefits from internal audit were assurance of effective internal controls, insight (from being able to take a helicopter view of the organisation) and objectivity.

Major reviews conducted for Rangitikei so far by the Internal Auditor (Tony Stanley) have been over procurement practices, and the policy and procedures over setting (and collecting) fees and charges. In addition, the Internal Auditor has had oversight over sensitive procurement projects, most recently evaluation of tenders for the Council's street-lighting maintenance contract, and had reviewed the completeness of the final claim to the New Zealand Transport Agency (NZTA). He maintained a regular dialogue with the Council's external auditors and provided them with copies of his completed reports. He considered that there had been considerable progress in formalising custom and practice.

Mr Stanley provided an overview of his work and presented his proposed work plan for the coming year. Half-year progress updates will be included on the relevant Committee agenda. He responded to questions about various issues including fees and charges, NZTA claims, cash flow issues, cash receipts, service level agreement and frameworks.

Future topics for internal audit would include health and safety and revenue completeness.

While the agreement for the Internal Auditor was with the Chief Executive, to whom he was accountable, there was the ability to relate directly to the Mayor, where that seemed appropriate.

Resolved minute number **15/ARK/ 011** **File Ref** **5-EX-2-6**

That the proposed Internal Audit work plan for 2016 be received

That the Audit/Risk Committee endorse (without amendment) the proposed Internal Audit work programme for the Rangitikei District Council

And the following reviews form part of the 2015-16 Internal Audit Plan:

- Cash Receipting
- NZTA Claims
- Procurement and Contract Management
- Works Orders
- Results of previous reviews

His Worship The Mayor / Cr Belsham. Carried.

5 Confirmation of minutes

Resolved minute number **15/ARK/012** **File Ref**

That the Minutes of the Audit/Risk Committee meeting held on 1 September 2015 be taken as read and verified as a true and correct record of the meeting.

Cr Belsham / Cr McManaway. Carried.

6 Council decisions on recommendations from the Committee

The Committee noted Council's agreement to the recommended change to the Committee's terms of reference.

7 Office of the Auditor General – Audit Committee – principles and what works

Chair Craig O'Connell suggested that the Committee was still in a discovery stage, learning what constitutes a capital 'R' risk and a small letter 'r' risk and to understand how to add value to the Council without duplication yet challenging the group.

He spoke to an outline presentation on issues raised about audit/risk committees in reports from the Auditor-General

Resolved minute number **15/ARK/ 013** **File Ref**

That the presentation 'Office of the Auditor General – Audit committees – principles and what works' be received.

Cr McManaway / Cr Sheridan. Carried.

11 Implementing a Council Controlled Organisation – perspective from the Auditor-General

The Committee considered the report *Governance and accountability of council-controlled organisations* which was published in October 2015 by the Office of the Auditor-General entitled.

Points raised during the discussion included:

- The need to be extremely careful in establishing a CCO;
- The current investigation was building on an existing shared service arrangement;
- There were instances of large CCOs already established in the South Island
- Lack of adequate controls had sometimes led to withdrawing back to internal delivery of services
- Lower transaction costs were crucial for a CCO to succeed.

Resolved minute number	15/ARK/016	File Ref	3-OR-5-3
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That, with respect to the investigation of the feasibility of a Council Controlled Organisation for infrastructure services in the Manawatu and Rangitikei Districts, the Audit/Risk Committee

- (i) recommends endorsement of the three core principles outlined in the Auditor-General's *Governance and accountability of council-controlled organisations*: be clear about the purpose of its CCOs; appoint the right people to govern each CCO; and meet the requirements for monitoring and accountability and
- (ii) endorses the circulation of the Auditor-General's report to the wider Council.

Cr Belsham / Cr McManaway. Carried.

12 Issues in giving effect to the Health and Safety at Work Act 2015.

The Committee noted the information provided in the agenda.

Members agreed it was important that Councillors understood the implications for them and that there was clarity for volunteers working on Council property – an instance

Mr McNeil advised that MW LASS had employed a Strategic Health & Safety Advisor for the next two years to assist member councils in the Horizons region give effect to the legislation and to assist member councils with gaining ACC workplace accreditation. A work programme would be available in February 2016

Mr McNeil noted there were implications for Councillors and also community volunteers. A particular instance was the 7-Day makeover projects about to start.

The Committee members discussed the lower profile given to 'health' compared with 'safety', notwithstanding the title of the legislation. Health issues would include dust, light, and noise.

13 Agenda planning

At its first meeting, the Committee decided it would address one of the following topics at its 2016 meetings:

- Investigation into the establishment of an infrastructure services Council Controlled Organisation
- Considerations for joint venture engagement
- Project management procedures

14 Late items

No late items were requested

15 Future items for the agenda

No additional items were proposed.

16 Next meeting

To be determined.

17 Meeting closed

The meeting closed at 4.32 pm.

Confirmed/Chair: _____

Date: _____