



# 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.

## 8 Further considerations on the Council's approach to risk

Mr Hodder spoke to his report.

Points raised in discussion included:

- the interrelationship between 2.11 (Shared Services) and 5.2 (Availability of suitable staff);
- the present uncertainty over 2.11; and
- the (low) likelihood of terrorist attacks.

<b>Resolved minute number</b>	<b>15/ARK/014</b>	<b>File Ref</b>	<b>5-PO-1-3</b>
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That the report 'Further considerations on the Council's approach to risk' be received.

That the proposed update of 'Council's strategic approach to risk - policy and implementation of a risk management framework' (without amendment) be adopted.

That the Audit/Risk Committee –

- (i) adopts the draft revised risk management framework (without amendment) for the period 1 January 2016 to 30 June 2017, and
- (ii) requests the Chief Executive to detail the proposed actions for the areas of unacceptable risk to the next meeting of the Committee.

Cr Belsham / Cr Sheridan. Carried.

## 9 Audit for 2014/15

The final management report (with confirmed management responses) from the Council's auditors was tabled. Ms Perera explained that this report did not show the outstanding matters noted in the interim report. These would be checked during next year's interim report.

<b>Resolved minute number</b>	<b>15/ARK/015</b>	<b>File Ref</b>	<b>5-EX-2-4</b>
			<b>5-FR-1</b>

That the draft final management audit report for 2014/15 and proposed management responses be received.

That the Chief Executive provides a progress update on outstanding issues raised in the management report from the Council's auditors for 2014/15 to the first meeting of the Audit/Risk Committee in 2016.

Cr Sheridan / Cr McManaway. 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.

<b>Resolved minute number</b>	<b>15/ARK/016</b>	<b>File Ref</b>	<b>3-OR-5-3</b>
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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:** \_\_\_\_\_