



Rangitikei District Council

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Rangitikei
UNSPOILT...

Audit/Risk Committee Meeting

Order Paper

**Monday, 22 February 2016,
2.00 pm**

**Council Chamber, Rangitikei District Council
46 High Street, Marton**

Website: www.rangitikei.govt.nz

Email: info@rangitikei.govt.nz

Chair

Mr Craig O'Connell

Deputy Chair

Membership

His Worship the Mayor, Andy Watson and Councillors Nigel Belsham, Dean McManaway,
and Lynne Sheridan

Please Note: Items in this agenda may be subject to amendments or withdrawal at the meeting. It is recommended therefore that items not be reported upon until after adoption by the Council. Reporters who do not attend the meeting are requested to seek confirmation of the agenda material or proceedings of the meeting from the Chief Executive prior to any media reports being filed.



Rangitikei District Council

Audit/Risk Committee Meeting

Order Paper – Monday 22 February 2016 – 2:00 p.m.

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The quorum for the Audit/Risk Committee is 3.

At its meeting of 28 October 2010, Council resolved that “The quorum at any meeting of a standing committee or sub-committee of the Council (including Te Roopu Ahi Kaa, the Community Committees, the Reserve Management Committees and the Rural Water Supply Management Sub-committees) is that required for a meeting of the local authority in SO 2.4.3 and 3.4.3.

1 Council Prayer**2 Welcome****3 Apologies/Leave of Absence****4 Confirmation of order of business**

That, taking into account the explanation provided why the item is not on the meeting agenda and why the discussion of the item cannot be delayed until a subsequent meeting, be dealt with as a late item at this meeting.

5 Confirmation of minutes**Recommendation**

That the Minutes of the Audit/Risk committee meeting held on 7 December 2015 be taken as read and verified as an accurate and correct record of the meeting.

6 Investigation into the establishment of an infrastructure services Council-Controlled organisation

Consideration of the guidelines issued by the Office of the Auditor-General: *Governance and accountability of council-controlled organisations*

(this publication was reproduced in the Order Paper for the previous meeting)

7 Audit management report for 2014/15 – progress update on outstanding issues

A verbal update will be provided.

8 Risk management framework: Proposed actions to address areas of unacceptable risk

A schedule of the actions proposed (and progress to date) is attached. It shows the risk assessment as agreed when the Committee considered the framework at its December 2015 meeting. (The risk matrix follows the schedule).

File ref: 5-CP

Recommendations

1. That the schedule of proposed actions to address areas of unacceptable risk be received.

2. That the proposed actions [without amendment/as amended] to address areas of unacceptable risk in the Council's risk management framework be approved

AND

That the Audit/Risk Committee be provided with a report to its August 2016 meeting on the proposed actions to address unacceptable risk showing the current assessment of risk (including control effectiveness ratings) attached to those particular activities.

9 Internal Audit – programme update

Three documents are attached.

File: 5-EX-2-6

- Draft Internal Audit work plan 2015/16
- Summary of key Internal Audit findings from reviews pre-November 2015
- MW LASS Internal Audit Charter

Recommendation

That the documents for 'Internal Audit – programme update' be received.

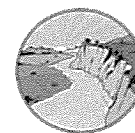
10 Late items

11 Future items for the agenda

12 Next meeting

13 Meeting closed

Attachment 1



Rangitikei
UNREPPLY...

Rangitikei District Council

Audit/Risk Committee Meeting

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

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At its meeting of 28 October 2010 Council resolved that ‘The quorum at any meeting of a standing committee or sub-committee of the Council (including Te Rōopu Ahi Kaa, the Community Committees, the Reserve Management Committees and the Rural Water Supply Management Sub-committees) is that required for a meeting of the local authority in SO 2.4.3 and 3.4.3.’ These Standing Orders were confirmed for the 2013-16 triennium by Council on 31 October 2013.

The quorum for the Audit/Risk Committee is 3.

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

Unconfirmed

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.

Resolved minute number	15/ARK/014	File Ref	5-PO-1-3
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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.

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

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.

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:

Attachment 2

Actions from risk management framework (revised December 2015)

These actions address those situations where Council's Audit/Risk Committee, having considered the present systems and processes, has not accepted the assessed risk.

		What will be done?	Progress to 15 February 2016
1.6	Pursuing inappropriate business strategies Dec 2015 D5 2 ¹	Develop key milestones around funding for the proposed Bulls Multi-purpose facility. Develop framework for business strategy with Audit/Risk Committee	
2.1	Customer service eroded Dec 2015 C3 4	Implement summary reporting to Council on requests for service Include general question on customer service in upcoming residents' satisfaction survey	First summary report being prepared for Council's meeting on 29 February 2016. Survey design modified.
2.3	Exposure to Council following poor contract management processes Dec 2015 D4 3	Implement monthly reporting on performance of major contracts	First monthly report on Higgins roading maintenance contract to Assets/Infrastructure Committee, 11 February 2016.
2.6	Inability to recover/continue business following disaster Dec 2015 D4 1	Explore partnership with Spark Discuss timing for this project with newly appointed Team Leader Information Services	Proposal from Spark under consideration.

¹ These relate to the risk matrix which follows – likelihood of occurrence, consequence or impact and effectiveness of control.

		What will be done?	Progress to 15 February 2016
2.8	Resource base does not meet community needs Dec 2015 E2 3	Continue to advocate on Government reform proposals (including looking for opportunities where resource need can be decreased)	One of the issues included in the draft submission on the Resource Legislation Amendment Bill.
2.9	Business objectives not met Dec 2015 D3 3	Continue monthly monitoring report to Assets/Infrastructure and Finance/Performance Committees of the annual capital programme for each group of activities Continue monthly monitoring report to Assets/Infrastructure and Policy/Planning of non-financial performance for each group of activities. Implement focussed reports on implemented plans and strategies	Monitoring reports to Assets/infrastructure and Policy/Planning Committees on 11 February 2016.
2.11	Shared Services falters and/leads to high costs for equivalent services Dec 2015 D4 3	Ensure our relationships with other Councils are as good as they can be. Promote investigations for collaboration on a business case basis so that rational decisions are taken and implemented.	Review of Infrastructure Shared Services and feasibility study for forming a CCO in progress. Next quarterly review of the animal control agreement (providing services to Manawatu) due by end of February 2016. One of 22 councils involved in the Go-shift initiative (building consent processes). Shared staff with Whanganui District Council for policy and environmental health.

		What will be done?	Progress to 15 February 2016
2.12	<p>Exposure to Council following non-compliance in consent processes</p> <p>Dec 2015 D4 4</p>	<p>Ensure regular oversight of sampling process for potable water with treatment plant team</p> <p>Clarify requirements with Drinking Water Assessor on supporting documentation should a transgression arise in the sampling process.</p>	
5.1	<p>Breach of health and safety requirements</p> <p>Dec 2015 D4 3</p>	<p>Arrange initial audit of current processes by MW LASS Health and Safety Project Leader, and implement improvement plan to address issues raised</p> <p>Strengthen contractor management</p> <p>Provide three-monthly reports</p>	<p>Initial inspections commenced in February 2016.</p>
6.1	<p>Poor information management</p> <p>Dec 2015 D4 2</p>	<p>Ensure best use of SharePoint and take advantage of wider use of SharePoint by other local authorities</p> <p>Evaluate AssetFinda</p>	<p>SharePoint upgrade (including improved search capability across other corporate systems) implemented during January 2016.</p>
7.3	<p>Financial exposure in the event of a loss or disaster</p> <p>Dec 2015 D7 3</p>	<p>Active engagement with regional and sector initiatives (including the LGNZ Risk Agency) to secure adequate, affordable insurance</p> <p>Review LAPP membership on an annual basis</p>	<p>Review of insurance of assets in progress.</p> <p>Review of membership of LAPP scheduled for consideration by Council in March 2016.</p>

		What will be done?	Progress to 15 February 2016
8.2	<p>Inaccurate responses to the District's natural hazards</p> <p>Dec 2015 D3 3</p>	<p>Use District Plan review to provide a more accurate basis for assessing and responding to natural hazards</p>	<p>Proposals drafted for inclusion in the review include:</p> <ul style="list-style-type: none"> • Remove maps and rules on liquefaction, • Remove references to landslides (other than West Taihape Slip), • Improve specificity of maps of flood hazards in Bulls and Hunterville, • Delete projected impact of stormwater overflows from flood mapping.

16 February 2016

Risk matrix

		Likelihood				
		Almost certain	Likely	Possible	Unlikely	Rare
Consequences or Impact	Catastrophic	Extreme	Extreme	Extreme	High	High
	Major	Extreme	Extreme	High	High	Moderate
	Moderate	Extreme	Extreme	High	Moderate	Low
	Minor	Extreme	High	Moderate	Low	Low
	Insignificant	High	High	Moderate	Low	Low

See table 2 of the Risk management policy for meaning of impacts in terms of human life, service levels. The environment, compliance and corporate governance, financial performance and community/political

		Likelihood				
		Almost certain	Likely	Possible	Unlikely	Rare
Consequences or Impact	Catastrophic	E8	E7	E5	D8	D6
	Major	E6	E4	D7	D5	C4
	Moderate	E3	E2	D4	C3	B4
	Minor	E1	D3	C2	B3	B2
	Insignificant	D2	D1	C1	B1	A

Control effectiveness ratings

Rating	Effectiveness	Description	Quantification
0	Not effective	This control does not address risk	0%
1	Slightly effective	The control is not reliable as it is not well-designed, documented and/or communicated	1-20% effective
2	Somewhat effective	Control may be reliable but not very effective as control design can be improved	21-40% effective
3	Reasonable effective	Control is reliable but not effective as documentation and/or communication <u>could be improved.</u>	41-60% effective
4	Mostly effective	Control is mostly reliable and effective. Documentation exists but can be better communicated.	61-80% effective
5	Very effective	Control is reliable and effective. Fully documented process and well communicated.	81-100% effective

Source: Lismore City Council

Attachment 3

MEMORANDUM

TO: Ross McNeil

COPIES: Audit and Risk

FROM: George Mclrvine

DATE: 03 February 2016

SUBJECT: **Draft Internal Audit work plan 2016**

FILE: 5-EX-2-6

Dear Ross

Below is the work plan that the Internal Auditor was working on prior to his departure from MDC. It is my view that this role is better to operate under the MW LASS auspices than currently structured.

Draft 2015-16 Internal Audit Plan includes; Cash Receipting, NZTA Claims, Procurement & Contract Management, Works Orders. High-level objectives for the review include:

Internal Audit Reviews 2015/16
NZTA Claims <ul style="list-style-type: none">Review the process of NZTA claims to ensure that Council receives correct subsidies and that claims are processed in a timely manner.
Procurement and contract management <ul style="list-style-type: none">Councils procurement practices are in compliance with Councils policies and procedures .Council's contract management processes are aligned with best practiceCouncil is monitoring the performance of contractors in line with contract / agreement requirements.Conduct, where appropriate, independent review of contract invoices to validate that invoices submitted correlate to the work undertaken.Physical inspections of work undertaken to provide quality and quantity validations.Contract closure processes reviewed for alignment with best practice.Monthly monitoring report to Council of the annual capital programme reflects the contracts / projects status accurately.Follow-up review to ensure agreed recommendations in relation to the purchasing and procurement review issued in 2014/15 have been implemented.
Work orders / work management systems <ul style="list-style-type: none">Work order / management systems processes used by Operations Reticulation Team are effective, aligned with best practice and include appropriate internal controls.
Cash Receipting <ul style="list-style-type: none">Cash is received, controlled, accounted for, deposited in a timely manner and in compliance with applicable policy;Cash receipting practices of Councils agents are appropriate and all cash is received, controlled, accounted for, deposited in a timely manner;Petty cash is properly accounted for, adequately safeguarded, and is used for their intended purpose.

Best regards

George Mclrvine



11 January 2016

File ref: Internal Audit
TS

Chief Executive
Rangitikei District Council
Private Bag 1102
Marton 4741

Dear Ross,

SUMMARY OF KEY INTERNAL AUDIT FINDINGS FROM REVIEWS PRE NOVEMBER 2015

At the Audit and Risk Committee meeting held on 7 December 2015, the committee requested a summary of internal audits reports that have been issued since the commencement of the shared internal audit service.

Kindly table the contents of the summary attached to the next Audit & Risk Committee meeting.

Please contact me through e-mail tony.stanley@mdc.govt.nz or mobile 027 438 6018 if you have any questions.

Yours sincerely

Tony Stanley
INTERNAL AUDITOR
MW LASS Limited

Summary of Internal Audits conducted prior November 2015

Fees and Charges review completed in 2013/14

Council needs to review the fees and charges they have in place to understand the rationale that dictates the various fees and charges and to assess whether such charges reflect the priorities of the council. Best practice suggests that Management undertake a simple review of the reasoning adopted and information used to determine the fees and charges set by the council as part of the annual budget setting process. Also a robust review should be taken undertaken at least every three years during the development of the long term plan and the development of Councils Revenue and Financing Policy.

Limited policies on service costing and fee setting exist. It is evident from my review that each activity within Council has developed individual approaches to fee setting and cost management. Additionally, there was limited evidence of critical analysis of the best value principles in determining fees and charges. The best value principles include • set service cost and quality standards • consider value for money • consider community expectations and values • balance the affordability and accessibility of their services.

Fees and charges be reviewed by a person independent of collating them and be approved by Senior Management Team prior to being submitted to Council for approval, as part of the budget setting process.

June 2015 NZTA Roading subsidy claim completed in July 2015

The final claim submitted was understated by approximately \$300K (\$255K for bridge), mainly due to purchase order not being raised for the commitment. The audit also identified that the draft claim submitted for internal audit review excluded some internal staffing costs, this was rectified and claimed in the final claim. The underclaim for the bridge has now been claimed.

The following was recommended to improve RDC's completeness of NZTA subsidy claims and enhance RDC's cash flow:

- Reconcile the spreadsheet used by Roading department to calculate NZTA claimable amounts to the general ledger at least quarterly.
- Shared Services professional services costs be included in the spreadsheet on a monthly basis and be claimed on a monthly basis.
- Strict cut off procedures be adopted for receipt of invoices for work undertaken (including professional services) during June of each year. Suppliers be advised that late submission of invoices after the cut-off date will not be processed.

Purchasing and procurement review completed during 2014/15

Overall, Council's procurement and purchasing framework is appropriate and aligned to best practice and it provides an adequate internal control framework when staff complies with Councils policies, processes and procedures.

The implementation phrase of the purchase orders has been well delivered with the development of a comprehensive training manual, hands on training, accessibility to knowledgeable staff to resolve queries raised and continuous system enhancements to support business. The change management process followed has been appropriate to encourage staff to adopt the purchase order system.

RDC's procurement planning requires enhancement to find opportunities to aggregate similar procurement requirements across business units, or develop period contracts rather than a one-off arrangement. The planning will allow Council to list major procurements (exceeding public tendering thresholds) that are likely to emerge in the years to come and successfully achieve Councils objectives and deliver best value-for-money over the whole-of-life of the goods or services.

The introduction of a centralised contracts register and Tenderlink will assist Council in achieving best value-for-money over the whole-of-life of the goods or services and defining Councils expenditure budgets. Procurement Plans should be specifically developed with a requirement for local service provision and vendor performance data should be collected in a standardized format so that the vendor's performance can be appropriately considered in future procurement / contracting decisions.

Councils should consider undertaking an independent quality assurance process to validate that compliance with Council policies, processes and procedures, confirm that value for money is derived for Councils procurement activities and independently review Council's contracting practices. Council uses some suppliers / contactors (ie preferred suppliers) based on responsiveness, quality received or specialist knowledge and which are not governed by formal arrangements or protected by Councils purchase order terms and conditions. In these instances, Council could be seen as favoring these suppliers and have reduced protection if a dispute arises.



Rangitikei District Council Internal Audit Charter

Introduction

Rangitikei District Council has an internal audit function which is focused on key business risks. It is the aspiration of Rangitikei District Council to establish and maintain a sound internal control environment. An independent internal review and appraisal function forms part of that environment. This charter establishes the authority and responsibilities of the internal audit function. The Internal Audit function is provided by Manawatu District Council.

Purpose of internal audit

Internal audit is defined by the Institute of Internal Auditors as “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

Internal Audit is an independent and systematic review and appraisal of the activities of the Rangitikei District Council. Its purpose is to assist management to meet its accountabilities by assessing the efficiency, economy and effectiveness of the Council's programmes, policies, practices, controls and activities, and by offering constructive advice.

Internal Audit is an additional level of assurance concerning risk and control for the Council's Executive Team. The prime responsibility for internal control continues to rest with the Executive Team.

Independence

Independence is essential to the effectiveness of the Internal Audit function. Internal Audit activity must be independent, and internal auditors must be objective in performing their work. Internal auditors must have an impartial, unbiased attitude and avoid any conflicts of interest.

The Internal Audit function has no direct authority or responsibility for the activities it reviews. The Internal Audit function has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in original line processing functions or activities.

The Internal Audit function is responsible on a day to day basis to the Internal Auditor.

The Internal Audit function, through the Internal Auditor, reports functionally to the Chief Executive on the results of completed audits, and for strategic direction and accountability purposes, and reports administratively to the Finance & Business Support Group Manager to facilitate day to day operations. The Internal Auditor also has direct access to the Mayor for any matters deemed the responsibility of, and relevant to, the elected Council.

Authority and confidentiality

The internal auditors are authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation and information that the Internal Auditor considers necessary to enable the Internal Audit function to meet its responsibilities.

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The Internal Auditor and individual internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work. Any work performed by external contractors will be subject to written agreements ensuring the confidentiality of Council's information.

All internal audit documentation is to remain the property of Rangitikei District Council, including where internal audit services are performed by an external third party provider.

Roles and responsibilities

Internal audit assists Council in fulfilling its vision, mission, strategic initiatives, and objectives, while adhering to its core values, by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of enterprise-wide risk management, internal control systems, and governance processes.

Ultimately, internal audit helps ensure:

- Risks are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Council resources are used efficiently and adequately safeguarded.
- Council operations are transacted in accordance with sufficient internal controls, good business judgment, and high ethical standards.
- Quality and continuous improvement are fostered in Council's internal control processes.

Internal audit activities will encompass the following areas:

Audit activities including audits with the following orientation:

Risk Management

- evaluate the effectiveness of, and contribute to the improvement in, risk management processes
- provide assurance that risk exposures relating to the organisation's governance, operations, and information systems are correctly evaluated, including:
 - reliability and integrity of financial and operational information
 - effectiveness, efficiency and economy of operations, and
 - safeguarding of assets
- evaluate the design, implementation, and effectiveness of the organisation's ethics-related objectives, programs, and activities
- assess whether the information technology governance of the organisation sustains and supports the organisation's strategies and objectives

Compliance

- compliance with applicable laws and regulations

Performance improvement

- the efficiency, effectiveness, and economy of the Council's business systems and processes.

Advisory services

The Internal Audit function can advise the Council's management on a range of matters including:

New programmes, systems and processes

- providing advice on the development of new programmes and processes and/or significant changes to existing programmes and processes

Risk management

- assisting management to identify risks and develop risk mitigation and monitoring strategies as part of the risk management framework

Fraud control

- evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk
- assisting management to investigate fraud, identify the risks of fraud and develop fraud prevention and monitoring strategies.

Internal audit reports will be issued to the Chief Executive to keep him/her fully informed of work planned and the results of work undertaken.

Audit support activities

The Internal Audit function is also responsible for:

- assisting the Chief Executive to discharge his/her responsibilities in maintaining the control environment
- monitoring the implementation of agreed recommendations
- disseminating across the Council better practice and lessons learnt arising from its audit activities.

Scope of internal audit activity

Internal audit reviews cover all programmes and activities of the Council together with associated entities, as provided for in relevant business agreements, memorandum of understanding or contracts. The internal audit activity encompasses the review of all financial and non-financial policies and operations.

Standards

Internal audit activities will be conducted in accordance International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

In the conduct of internal audit work, internal audit staff will:

- comply with relevant professional standards of conduct
- possess the knowledge, skills and technical proficiency relevant to the performance of their duties
- be skilled in dealing with people and communicating audit, risk management and related issues effectively
- exercise due professional care in performing their duties.

Relationship with external audit

Internal and external audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise duplication of effort.

Periodic meetings and contact between internal and external audit shall be held to discuss matters of mutual interest and facilitate coordination.

External audit will have full and free access to all internal audit plans, working papers and reports.

Planning

The Internal Auditor will prepare, for the Chief Executive's consideration, an internal audit annual audit work plan.

Reporting

The Internal Auditor will submit bi-annually a summary report to the Chief Executive on:

- audits completed
- progress in implementing the annual audit work plan, and
- the implementation status of agreed internal and external audit recommendations.

The Internal Audit function will also report to the Mayor at least annually on the overall state of internal controls in the Council and any systemic issues requiring management attention based on the work of the Internal Audit function and other assurance providers.

Administrative arrangements

Any change to the position of the Internal Auditor, will be approved by Chief Executive.

The Internal Auditor will arrange for an internal review, at least annually, and a periodic independent review, at least every five (5) years, of the efficiency and effectiveness of the operations of the Internal Audit function.

Review of the charter

This charter will be reviewed at least every two years. Any substantive changes will be formally approved by the Chief Executive.

Approved by Chief Executive
Ross McNeil

Date: